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Canadian Unity  
Information Office

Centre d'information  
sur l'unité canadienne

Government  
Publications

## ENERGY POLICY

DOCUMENTS DEALING WITH CANADA'S FUTURE ENERGY NEEDS AND HOW THESE ISSUES ARE RESOLVED IN THE CONTEXT OF FEDERAL-PROVINCIAL COORDINATION.

### INTRODUCTION

Fears that demand for non-renewable energy sources will soon exceed supply have prompted most countries to adopt "national strategies". Canada is no exception.

The documents included here illustrate the major role of the federal government in this respect, which is to coordinate provincial energy policies and thus ensure that all Canadians have sufficient resources to meet present and future needs. Through its taxation policies, assistance and incentive programs, cooperative and pricing policies, its research and development of new conventional and renewable energy sources and its regulatory powers on the use of energy, the federal government establishes equity between citizens and reduces Canada's dependence on imported energy.

In this kit, you will find documents dealing with Canada's energy needs and strategies, as well as an explanation of federal and provincial responsibilities and programs.

### SELECTED DOCUMENTS

1. Extracts from **Federal-Provincial Programs and Activities 1975: An Inventory**, Federal-Provincial Relations Office, Ottawa, 1975.
2. **Documents Relating to the Memorandum of Understanding signed by the Federal and Maritime Governments on Jurisdiction of Offshore Mineral Resources, February 1, 1977**, compiled by the Canadian Unity Information Office, January 1978.
3. **Notes for an Address by Alastair Gillespie**, Minister of Energy, Mines and Resources, to the Rotary Club, Montreal, 28 June 1977 and Excerpts from a speech by the Honorable Mr. Gillespie to the Vancouver Board of Trade, 6 July 1977.
- \*4. Extracts from the **Speech from the Throne**, Third Session of the Thirtieth Parliament, House of Commons Debates, Ottawa, 18 October 1977.
5. **Quebec and its Energy Needs**, Le Devoir, 14 November 1977.
6. **Notes for an Address by Claude Landry**, Special Advisor, Energy, Mines and Resources, to the Energy Seminar, Montreal, 2 December 1977.

7. **Outline of the Bill to Create a Northern Pipeline Act**, Privy Council Press Release, Ottawa, 3 February 1978.

### SUGGESTED READINGS

- \*1. Bank of Nova Scotia, **Changing Patterns in Canada's Electric Power Industry**, Monthly Review, Toronto, February 1977.
2. Beigie, Carl E., and Judith Maxwell, **Quebec's Vulnerability in Energy**, Accent Québec series, C.D. Howe Institute, Montreal, 1977.
3. Canada, **The Alaska Highway Pipeline Inquiry: Report**, (the Lysyk Report) Ottawa, 1977.
4. Canada, Mackenzie Valley Pipeline Inquiry, Report, **Northern Frontier: Northern Homeland. The report of the Mackenzie Valley Pipeline Inquiry** (two volumes), Ottawa, 1977.
5. Canada, **An Energy Strategy for Canada: Policies for Self-Reliance**, Energy, Mines and Resources, 1977.
- \*6. Canada, **Possible Questions and Answers Concerning the Memorandum of Understanding (between the Federal and Maritime Governments)**, Energy, Mines and Resources, 1977.
- \*7. Canada, **Offshore Mineral Resources: Historical Résumé of Negotiations**, Energy, Mines and Resources, 1977.
- \*8. Canada and the Maritime Provinces, **Federal-Provincial Memorandum of Understanding in Respect of the Administration and Management of Mineral Resources Offshore of the Maritime Provinces**, Energy, Mines and Resources, 1 February 1977.
9. Canada, **1976 Assessment of Canada's Coal Resources and Reserves**, Energy, Mines and Resources, 1977.
10. Canada, **Energy Conservation in Canada: Programs and Perspectives**, Energy, Mines and Resources, December 1977.

\* Available upon request from the Canadian Unity Information Office.

The documents contained in this kit are taken from various sources and do not necessarily reflect the Government of Canada's point of view

On peut obtenir la version française de ce texte en s'adressant au Centre d'information sur l'unité canadienne



INTRODUCTION

STATE

It should be noted that on April 4, 1971, Bill C-12 is still in effect. A further revision (Bill) was passed by the House of Commons, 1971 (Document 1077).

SELECTED REFERENCES

1971

1. Document 1077 (House of Commons, 1971).  
2. Document 1077 (House of Commons, 1971).  
3. Document 1077 (House of Commons, 1971).

1972

4. Document 1077 (House of Commons, 1972).  
5. Document 1077 (House of Commons, 1972).  
6. Document 1077 (House of Commons, 1972).

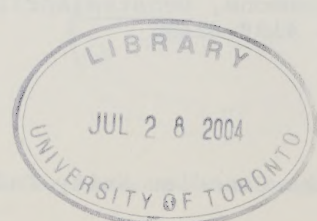
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7. Document 1077 (House of Commons, 1973).  
8. Document 1077 (House of Commons, 1973).

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11. Document 1077 (House of Commons, 1973).  
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EXTRACTS FROM FEDERAL-PROVINCIAL

PROGRAMS AND ACTIVITIES 1975: A DESCRIPTIVE INVENTORY,

FEDERAL-PROVINCIAL RELATIONS OFFICE, GOVERNMENT OF CANADA, 1976

The following extracts describe the federal government's role in the energy field as well as several programs and activities which have been made possible through federal-provincial co-operation. A more updated version of this document will be available upon request in the near future, pending the completion of the FPRO's 1976/1977 inventory.

## ENERGY, MINES AND RESOURCES

The Minister of Energy, Mines and Resources reports to Parliament for the Department of Energy, Mines and Resources, three regulatory boards and four crown corporations. These are the Atomic Energy Control Board; the National Energy Board; the Energy Supplies Allocation Board; Atomic Energy of Canada, Limited; Eldorado Aviation, Limited; Eldorado Nuclear, Limited; and Uranium Canada, Limited. Of these agencies, the Department of Energy, Mines and Resources and Atomic Energy of Canada, Limited are the only ones directly involved in programs and activities providing funds to the provinces and municipalities.

### DEPARTMENT OF ENERGY, MINES AND RESOURCES

The objectives of the department's programs are to ensure that the energy and mineral resources available to Canada are effectively managed and used for the present and future benefit of the nation, and that geographic and geoscientific information about the landmass and its resources are available as needed by the government and community at large. To achieve these objectives the department's activities range through surveying, mapping, geology, geophysics, remote sensing, research and development of mining and mineralogical technology, economic analyses, and policy analysis and development.

The three principal sectors in the Department are the Science and Technology Sector, the Mineral Development Sector and the Energy Policy Sector. All three are involved in a variety of federal-provincial activities and agreements.

The Science and Technology Sector includes the Canada Centre for Mineral and Energy Technology, the Geological Survey of Canada, including the Atlantic Geoscience Centre and the Institute of Sedimentary and Petroleum Geology; the Surveys and Mapping Branch; the Earth Physics Branch; the Canada Centre for Remote Sensing; the Polar Continental Shelf Project; the Explosives Branch; and the various Boundary Commissions. The federal-provincial Boundary Commissions, the support for research provided by the Canada Centre for Mineral and Energy Technology, the geodetic control surveys of the Surveys and Mapping Branch, and the research activities of the Geological Survey of Canada all involve federal-provincial or federal-municipal cooperation to some extent.

The Mineral Development Sector comprises the following Divisions: Minerals and Metals, Resources and Development, Mining Industry Financial and Corporate Analysis, Mineral Economics, and Information Systems. The Sector as a whole is responsible for formulation and implementation of national policies for mineral resource management. Included in this function is the planning, management, financial support, and technical advice in a number of federal-provincial programs for mineral development.

The Energy Policy Sector is responsible for various aspects of energy development and includes the activities of the Resource Management and Conservation Branch. Under the Senior Adviser responsible for Electrical Energy, the Sector provides assistance to the Hydro-Québec Research Institute.



# ATOMIC ENERGY OF CANADA LIMITED

Atomic Energy of Canada, Limited, was incorporated as a federal Crown corporation in 1952 under the Atomic Energy Control Act. The corporation provides funds directly to the Provinces under the Nuclear Research and Utilization Program, and to Manitoba under the Nelson River Transmission Facilities Program.

The Corporation is authorized to borrow money from time to time in such amounts and on such terms as may be determined by the Board of Directors. The Corporation is also authorized to invest the moneys so borrowed in such manner as may be determined by the Board of Directors.

The Corporation is authorized to enter into such agreements with the Government of Canada as may be determined by the Board of Directors. The Corporation is also authorized to enter into such agreements with the Government of the Province of Ontario as may be determined by the Board of Directors.

The Corporation is authorized to enter into such agreements with the Government of the Province of Manitoba as may be determined by the Board of Directors. The Corporation is also authorized to enter into such agreements with the Government of the Province of Saskatchewan as may be determined by the Board of Directors.

The Corporation is authorized to enter into such agreements with the Government of the Province of Alberta as may be determined by the Board of Directors. The Corporation is also authorized to enter into such agreements with the Government of the Province of British Columbia as may be determined by the Board of Directors.

The Corporation is authorized to enter into such agreements with the Government of the Province of New Brunswick as may be determined by the Board of Directors. The Corporation is also authorized to enter into such agreements with the Government of the Province of Nova Scotia as may be determined by the Board of Directors.

The Corporation is authorized to enter into such agreements with the Government of the Province of Prince Edward Island as may be determined by the Board of Directors. The Corporation is also authorized to enter into such agreements with the Government of the Province of Newfoundland as may be determined by the Board of Directors.

The Corporation is authorized to enter into such agreements with the Government of the Province of Yukon as may be determined by the Board of Directors. The Corporation is also authorized to enter into such agreements with the Government of the Province of Northwest Territories as may be determined by the Board of Directors.

EXAMPLES OF FEDERAL-PROVINCIAL  
ACTIVITIES IN THE ENERGY FIELD

1. ENERGY POLICY SECTOR  
ASSISTANCE TO HYDRO-QUEBEC RESEARCH INSTITUTE  
(Part of the Mineral and Energy Resources Program)

Purpose:

This assistance helps Hydro-Québec in the construction and operation of facilities which will specialize in research into high voltage and high power electrical generation and transmission. Such research is likely to be of direct benefit to Canadian electrical manufacturing industry of Canada.

Financing and Operation:

An annual operating grant of \$325,000 will be made to Hydro-Québec each year during the ten-year period from 1971 to 1980. There are no conditions on the payment of these grants other than continued evidence of the Institute being operated in conformity with the purpose and intent of the agreement. The federal grants represent less than ten per cent of the annual operating costs of the Institute.

In accordance with the terms of the agreement, a Federal-Provincial Review Board has been established to review the operations of the Institute to ensure that they conform with the spirit and intent of the agreement.

2. ENERGY POLICY SECTOR  
PRINCE EDWARD ISLAND INTERCONNECTION

Purpose:

To provide a loan to assist in capital costs for the construction of an underwater electrical interconnection between P.E.I. and the mainland (New-Brunswick)

3. ENERGY POLICY SECTOR  
NEWFOUNDLAND - LABRADOR INTERCONNECTION (GULL ISLAND)

Purpose:

Grants have been made towards costs of joint Federal-Provincial studies of the Gull Island Hydro Electric Project in Labrador and the associated transmission system to the Island of Newfoundland. The studies were designed to determine whether the Gull Island project was the most appropriate addition to meet growing demands for electrical energy in Newfoundland and to assist in response to a request from Newfoundland for financial assistance from Canada for the capital costs of the project.



ENERGY POLICY SECTOR  
MANITOBA - NELSON RIVER TRANSMISSION SYSTEM

Purpose:

Loans to assist in the installation of high voltage direct current equipment to double the capacity of the Nelson River D.C. transmission system from Northern to Southern Manitoba

ENERGY POLICY SECTOR  
NOVA SCOTIA - NEW-BRUNSWICK BAY OF FUNDY TIDAL POWER STUDIES

Purpose:

Feasibility studies on the utilization of tides in the Bay of Fundy to develop hydroelectric power

ENERGY RESEARCH INSTITUTE - UNIVERSITY OF CALGARY

Purpose:

To conduct ongoing research into energy policy

SASKATCHEWAN HIGH-ASH COAL TESTING

Purpose:

To evaluate the quantity, quality and combustion behaviour of four deposits of high-ash lignite coal in Saskatchewan, both before and after upgrading in order to estimate their potential uses and economic value

RESEARCH AGREEMENT PROGRAM

Purpose:

The program of Research Agreements is designed to take advantage of the capabilities of a variety of disciplines and technologies available in Canada, to facilitate the better use of our mineral and energy resources and to provide information on Canada's landmass. Applications for support will be considered on the basis of the potential significance that the results of studies will have on the Department's objectives. In brief, the Department's mission is developed around two principal objectives.

1. to ensure effective use of the mineral and energy resources for the present and future benefit of the nation
2. to provide information about the landmass and its use to government and to the community at large so that land resources and distinctive physical attributes may be used gently and beneficially.

1975-76 Research Agreements: Funding under this Program for the 1975-76 is \$882,670.00. The distribution of funding by province is as follows:

British Columbia	\$ 74,900.00
Alberta	95,680.00
Saskatchewan	38,400.00
Manitoba	27,100.00

Ontario	401,940.00
Québec	161,350.00
New-Brunswick	32,000.00
Nova Scotia	33,000.00
Newfoundland	18,300.00

## 9. NELSON RIVER TRANSMISSION FACILITIES

### Purpose:

To provide for the construction, control, leasing, disposal and financing of transmission facilities in connection with the development of the hydro power potential of the Nelson River as a base for industrial and economic development in the province of Manitoba.

The 208 mega-watt Douglas Pont Prototype Station was constructed and is operated under an agreement between AECL and Ontario Hydro. Similarly, the 250 mega-watt Gentilly-1 Prototype Station was constructed and is operated under an agreement between AECL and Hydro-Québec. AECL owns both stations and bears the entire capital cost. The stations are operated by the respective provincial utilities on behalf of AECL. The utilities submit monthly claims for the net operating costs of the stations. Once the stations have been demonstrated to be a safe and dependable source of power, both Ontario Hydro and Hydro-Québec are committed, under contract, to offer to purchase these stations at a price that is economically viable to the utilities. The capital cost of the reactors including interest to the date the reactors began operating is \$77.6 million for Douglas Point and \$90.2 million for Gentilly-1.

The Pickering Generating Station (Units 1 and 2) has been constructed and is operated under an agreement between AECL, Ontario Hydro and the Province of Ontario. In order to share the risk of establishing such a station the Province of Ontario and the federal government agreed to provide Ontario Hydro with interest bearing loans for capital costs above those for a similar sized fossil fuel-fired station. The loans are expected to be repaid over a thirty-year period starting from the date at which each unit comes into service or earlier should Hydro present a financially acceptable proposal for termination of the agreement. Repayment is under a formula related to both station performance and the costs of power and energy produced by the Lambton (coal fired) station. As Ontario Hydro owns and operates the station AECL's interest in the station is one of investment only. Ontario Hydro, the Province of Ontario and AECL have accepted the cost of the station to be \$395 million of which the federal portion (i.e. amount loaned) including interest is \$141 million or about 36 per cent.

The Gentilly-2 Power Station will be constructed and operated by Hydro-Québec. Under an agreement between Hydro-Québec and AECL, AECL will provide engineering consulting services for the nuclear portion of the station during the design and construction stages. The federal government has agreed to provide long-term interest bearing loans to assist the construction of the station. Repayment of the federal loan will be by annual payments over a twenty-five year term (i.e. without reference to station performance or the cost of energy). AECL will administer this loan and its repayment. The federal portion (i.e. amount to be loaned) is fifty per cent of capital costs to a maximum of \$151 million.



The Point Lepreau Generating Station will be constructed and operated by the New-Brunswick Electric Power Commission. Under an agreement between the New-Brunswick Electric Power Commission and AECL, AECL will provide engineering consulting services for the nuclear portion of the station during the design and construction stages. To assist the construction of the station, the federal government has agreed to provide long-term interest bearing loans to an amount of approximately fifty per cent of the capital costs. The agreement covering this loan is still under negotiation.

The Bruce Heavy Water Plant was constructed by AECL and operated by Ontario Hydro. In 1973, AECL agreed to sell the plant to Ontario Hydro for a price of \$254.9 million, which includes all costs plus interest to the date of the sale. Payment is by monthly instalments commencing July, 1973 over a 19-1/2 year period ending with the final payment due in December 1992. AECL's role after the sale is primarily that of administering the purchase agreement.

The Glace Bay Heavy Water Plant is being rehabilitated under an agreement between AECL the Province of Nova Scotia and Deuterium of Canada Limited. Under this agreement AECL will lease the existing plant, rehabilitate the plant and recover the federal investment through sale of the heavy water produced. After the federal investment has been fully repaid the plant, as a going concern, will be turned over to Deuterium of Canada Limited. The federal cost of the reconstruction program is currently estimated at \$130 million. The three parties are presently participating in the negotiation of an agreement under which the plant would be bought by AECL.

#### NUCLEAR UTILIZATION FACILITIES (Part of Nuclear Research and Utilization Program)

##### Purpose:

These agreements enable Atomic Energy of Canada Limited (AECL) to cooperate with the Provinces in the construction and operation of nuclear power plants and to construct, own and operate heavy water plants.

##### Authority:

Atomic Energy Control Act  
Atomic Energy Control Regulations

Separate agreements have been signed with regard to six nuclear power plants and two heavy water plants to provide for the construction and operation of a nuclear power demonstration reactor, two prototype nuclear power stations and three commercial size nuclear power stations. The arrangements for the financing and operation of the stations are different in each case.

The 25 mega-watt Nuclear Power Demonstration Station was constructed under a tri-partite agreement between Ontario Hydro, Canadian General Electric and AECL. The construction costs of the power plant were divided three ways. AECL provided the nuclear facilities (\$25.7 million) while Ontario Hydro provided the non-nuclear facilities and Canadian General Electric provided, without charge, design to the extent of \$2 million.



The nuclear facilities are owned by AECL but are operated by Ontario Hydro. Ontario Hydro submits a monthly claim to AECL for the net (costs minus revenues) cost of operating these facilities.

This reactor demonstrated the CANDU concept and, in recent years, has used to test different modes of coolants and as a training base for operating staff for large power reactors.



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DOCUMENTS RELATING TO  
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JURISDICTION OF OFFSHORE  
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FEBRUARY 1, 1977

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January 1978



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1. Joint Communique from Canada and the Provinces of  
Nova Scotia, New Brunswick and Prince Edward Island,  
February 1, 1977.
2. "A triumph for Maritimes rights" by Alvin M. Savage,  
Halifax Chronicle Herald, February 4, 1977.



February 1, 1977

JOINT COMMUNIQUE  
FROM CANADA AND THE PROVINCES  
OF NOVA SCOTIA, NEW BRUNSWICK AND PRINCE EDWARD ISLAND

The Prime Minister and the Premiers of Nova Scotia, New Brunswick and Prince Edward Island today signed a Memorandum of Understanding which provides a co-operative framework for the development of offshore mineral resources on the coasts of the three provinces.

The Memorandum is a significant demonstration of federalism accommodating provincial needs and aspirations in a flexible structure that can work to the greater benefit of all parties.

This Memorandum lays the groundwork for a detailed agreement to be negotiated between the federal government and the three provinces by which all mineral resources within agreed demarcated offshore areas would be managed by a Board composed of three members from Canada, and one from each of the three provinces. It is to be called the Maritime Offshore Resources Board.

A federal body, entirely paid for by Ottawa, will act on the Board's behalf and undertake the day-to-day administration of offshore resources. The Board itself will be funded 25 per cent by Canada and 75 per cent by the three provinces.

All revenues from offshore resources will be shared according to a formula by which the three provinces share 75 per cent of revenue derived from an area seaward of at least five kilometres from low water on their coasts to the continental margin, or to the limits of Canada's jurisdiction over the coastal seabed, the federal government receiving 25 per cent of revenue in this

area. The three provinces share 100 per cent of revenues landward of this area.

In addition, Nova Scotia retains 100 per cent of revenues within a revenue sharing line to be fixed by agreement around Sabie Island.

The framework is flexible enough to adapt to the entry of other provinces in the future.

HALIFAX CHRONICLE HERALD

February 4, 1977

A Triumph for Maritimes Rights

by Alvin M. Savage



# A triumph for Maritimes rights!

By ALVIN M. SAVAGE  
Executive Editor

The fight for Maritime Rights, the hallmark and cornerstone policy of these newspapers since their founding and always, apart from the usual political bickering, the keystone in negotiations between Ottawa and successive Nova Scotia Governments, has again paid off for the benefit of the peoples who live here by the sea.

It was reflected this week in the signing of the offshore mineral rights agreement by Prime Minister Trudeau and the three Maritime provinces' premiers.

When the prospects of discovery of oil, gas and other rich mineral resources off the Atlantic coast first surfaced a few years ago, the whole question of Maritime rights once again came to the forefront. Who owned it? Who should control it? Who should benefit from the revenues? Ottawa or the coastal provinces?

The jurisdiction issue immediately became a matter of dispute between the federal and provincial governments, and now, after years of intense negotiating between the incumbent Maritime Governments and Ottawa, an agreement has been reached that recognizes many of the rights of the Maritimes that may have otherwise not been in such an historic document.

Let's examine some of them.

A few short years ago there was the question, who controlled Sable Island, Ottawa or Nova Scotia? The text of the agreement signed this week clearly states the island "is acknowledged to be within Nova Scotia." Therefore Nova Scotia was granted 100 per cent of the revenues accruing from mineral resources developed there.

Ottawa's 1968 proposal for a settlement of the offshore rights would have limited Nova Scotia's claim to the low tide water mark off our coast. The new agreement extends the line out five kilometres beyond this boundary mark, and in some cases as far as 10 to 12 miles seaward. This represents a start in the right direction for Nova Scotia's claim to ownership of the entire Scotia shelf, a matter put aside for final settlement at this time.

During earlier stages in the negotiations for an offshore agreement, Ottawa wanted a seven-member Maritime Offshore Resources Board to administer the resources, dominated by federal representatives. The new agreement finally reached limited the board to six members, three to be appointed by the Maritime provinces, and three by the Federal government. This gives equal representation in decision making.

Should there be a deadlock, however,

the deciding vote would be cast by the Federal minister of energy. Probably the only real assurance that the Maritimes' interests are fully protected in such an incident would be to have a Maritimer in that portfolio.

## Escape clause

The agreement also provides that either side can opt out by giving five years notice. It is known that this course was particularly

pursued by Premier Regan. This provides an escape clause for Nova Scotia, should at any time in the future the province would want to seek complete control and administration of the offshore resources, and reap all the revenues. So heritage is not being abandoned.

The new agreement provides that the board to be set up to administer the offshore resources would be located in the Maritime region, most likely in Halifax.

The 1968 Ottawa proposal on revenue sharing for offshore gas, oil and other minerals would have given the Federal Government 50 per cent, with the other 50 per cent going to the provinces. If the latter had to be divided equally, then Nova Scotia would have received only five per cent.

Here again the question of Maritime rights surfaced strongly in Nova Scotia as Premier Regan pursued his negotiations with Ottawa, and after the cry was taken up by the press and the public.

The fight paid off, as the agreement now reached provides that Nova Scotia would receive 100 per cent of the revenues accrued from royalties, fees, bonuses and rentals from Sable Island strikes, and from all that area landward from the 5 millimetre demarcation line; and 75 per cent of the revenues accrued seaward from this line, or in other words the entire Continental shelf.

Ottawa gets the remaining 25 per cent, out of which it must pay for the entire costs of the day-to-day administration of any offshore resources.

And, most important, the heritage of Nova Scotia (complete ownership of the offshore resources) has not been abandoned. It well might have been in the signing of any agreement with Ottawa.

Instead that question has been put aside for the time being, and an agreement reached that will allow the job of exploring for the rich resources to proceed.

Signing of the historic agreement at Ottawa this week was not only a great day for Nova Scotia, as expressed by Premier Regan, but a great day for Maritime Rights.

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NOTES FOR AN ADDRESS BY  
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MINISTER ALASTAIR GILLESPIE  
TO THE ROTARY CLUB,  
MONTREAL, 28 JUNE 1977

AND

EXCERPTS FROM A  
SPEECH BY THE HONOURABLE  
MR. GILLESPIE TO THE  
VANCOUVER BOARD OF TRADE  
6 JULY 1977

Compiled by the  
Canadian Unity Information Office  
January 1978



NOTES FOR AN ADDRESS BY  
ENERGY, MINES AND RESOURCES' MINISTER

ALASTAIR GILLESPIE

TO THE  
ROTARY CLUB

MONTREAL

28 JUNE, 1977

MR. CHAIRMAN, I PARTICULARLY WELCOME THE OPPORTUNITY YOU HAVE EXTENDED TO ME TO SPEAK TO MEMBERS OF THE ROTARY CLUB. AS BUSINESS AND COMMUNITY LEADERS YOU HAVE A MAJOR ROLE TO PLAY IN HELPING TO MEET THE CRITICAL ENERGY CHALLENGE THAT CONFRONTS OUR COUNTRY.

THE MEASURE OF THAT CHALLENGE WAS CLEARLY SPELLED OUT IN THE RECENT REPORT OF THE NATIONAL ENERGY BOARD ON CANADIAN OIL SUPPLY AND REQUIREMENTS. FAILING THE ADOPTION OF DECISIVE POLICIES AND PROGRAMS TO REVERSE THE TREND, THE BOARD ESTIMATED THAT CANADA MIGHT BE FORCED TO RELY ON FOREIGN OIL IMPORTS TO SUPPLY ANYWHERE FROM 52 PER CENT TO 62 PER CENT OF ITS OIL REQUIREMENTS BY 1985 - AND POSSIBLY BY EVEN MORE IN THE NEXT DECADE.

AS YOU ARE WELL AWARE, THE CORNERSTONE OF THE NATIONAL ENERGY STRATEGY ADOPTED BY THE FEDERAL GOVERNMENT IS THAT OF RESTRICTING OUR NET DEPENDENCE ON FOREIGN OIL BY 1985 TO NO MORE THAN ONE-THIRD OF OUR TOTAL DOMESTIC DEMAND.

IT IS IMPERATIVE TO LIMIT OUR NET DEPENDENCE TO THAT LEVEL NOT ONLY TO KEEP OUR CURRENT ACCOUNT DEFICIT ON OIL IMPORTS WITHIN MANAGEABLE LIMITS, BUT ALSO TO MINIMIZE THE RISK OF FOREIGN SUPPLIES BEING REDUCED OR CUT OFF BY AN EMBARGO OR SIMPLY BECAUSE OF WORLD DEMAND BEGINNING TO OUTFRAN AVAILABLE SUPPLY.

ACHIEVEMENT OF OUR GOAL REQUIRES US TO RESOLUTELY PURSUE TWO BASIC POLICY OBJECTIVES - INTENSIVE CONSERVATION OF ENERGY CONSUMPTION AND A MASSIVE INCREASE IN ENERGY SUPPLIES. MEETING THOSE TWO ELEMENTARY OBJECTIVES, HOWEVER, IS GOING TO REQUIRE THE ADOPTION OF A COMPLEX ARRAY OF NEW POLICIES AND PROGRAMS. MANY OF THOSE POLICIES AND PROGRAMS ARE ALREADY IN PLACE; MANY OTHERS ARE IN THE PROCESS OF BEING DEVELOPED WITHIN THE FRAMEWORK OF THE NATIONAL ENERGY STRATEGY ADOPTED BY THE GOVERNMENT IN 1976.

THE FIRST AREA OF POLICY I WISH TO ADDRESS TODAY RELATES TO ELECTRICAL ENERGY. THE ENERGY STRATEGY PAPER WHICH I PUBLISHED LAST YEAR ON BEHALF OF THE GOVERNMENT ESTIMATED THAT CANADA MIGHT HAVE AT LEAST DOUBLE OUR ELECTRICAL GENERATING CAPACITY BY 1990. IT FORESAW THE POSSIBILITY THAT THE PROPORTION OF OUR TOTAL PRIMARY ENERGY CONSUMPTION DEDICATED TO ELECTRICITY COULD CLIMB FROM APPROXIMATELY ONE-THIRD TO ONE-HALF BY 1990 -- A TRULY MASSIVE INCREASE.

EVEN IN THE PROVINCE OF QUEBEC, BLESSED AS IT IS WITH ABUNDANT HYDRO-ELECTRIC CAPACITY, THE INCREASING DEMANDS OF THE FUTURE WILL EVENTUALLY DICTATE THAT THERE BE A VERY SIGNIFICANT NUCLEAR COMPONENT IN YOUR POWER SYSTEM. THE GENTILLY II NUCLEAR REACTOR NOW UNDER CONSTRUCTION IS RECOGNITION OF THIS SITUATION. IT IS ALSO INDICATIVE OF THE LONG-STANDING



CO-OPERATION BETWEEN THE FEDERAL GOVERNMENT AND HYDRO-QUEBEC. THE FEDERAL GOVERNMENT IS PROVIDING SIGNIFICANT FINANCING ASSISTANCE FOR GENTILLY II AND ATOMIC ENERGY OF CANADA LIMITED HAS ESTABLISHED A MAJOR CENTRE OF DESIGN COMPETENCE IN MONTREAL. IN ADDITION THE FEDERAL GOVERNMENT IS COMMITTING HUNDREDS OF MILLIONS OF DOLLARS TO THE LAPRADE HEAVY WATER PLANT IN RECOGNITION OF THE FUTURE NEEDS OF THIS AND OTHER PROVINCES, FOR THIS VITAL ELEMENT OF THE CANDU SYSTEM.

I BELIEVE THAT MOST CANADIANS ARE PROUD OF THE UNIQUE NUCLEAR GENERATING SYSTEM WE HAVE DEVELOPED IN THIS COUNTRY AND CONSIDER IT ONE THAT IS SAFE, RELIABLE, EFFICIENT AND ECONOMICAL. AT THE SAME TIME, HOWEVER, I BELIEVE WE MUST ALSO STEP UP OUR EFFORTS TO DEVELOP PROVEN AND ACCEPTABLE METHODS FOR THE LONG-TERM STORAGE OF SPENT NUCLEAR FUEL. INTERIM STORAGE IN WATER BAYS IS AN ESTABLISHED TECHNOLOGY. THE PUBLIC CONCERN IS NOW FOCUSSED ON THE PERMANENT DISPOSAL OF NUCLEAR WASTE, WHATEVER FORM IT MAY TAKE.

I ANNOUNCED YESTERDAY THE ESTABLISHMENT OF AN INDEPENDENT TASK FORCE TO STUDY CAREFULLY ALL ASPECTS OF THE SAFE STORAGE OF NUCLEAR WASTE. THE RESULTS OF THIS STUDY WILL BE PUBLISHED THIS FALL AND WILL ADDRESS THE QUESTION OF ALL NUCLEAR WASTES, NOT JUST THOSE ASSOCIATED WITH THE CURRENT CANDU TECHNOLOGY.

ANOTHER AREA OF NUCLEAR DEVELOPMENT THAT HAS SPARKED INTEREST IN THIS PROVINCE HAS BEEN THE QUESTION OF URANIUM ENRICHMENT. A NUMBER OF STUDIES HAVE BEEN INITIATED, PROMPTED LARGELY BY THE HYDRO-ELECTRIC POTENTIAL AVAILABLE FOR THIS POWER-INTENSIVE PROCESS. I AM RELEASING TODAY A REPORT PREPARED BY MY DEPARTMENT ON THIS SUBJECT. IT NOTES THE UNCERTAIN MARKET FOR NEW ENRICHMENT CAPACITY IN THE NEAR FUTURE, THE PROBLEMS INHERENT WITH THE DEDICATION OF LARGE BLOCKS OF POWER, AND THE EVER-PRESENT PROBLEM OF OBSOLESCENCE AS NEW TECHNOLOGIES ARE DEVELOPED. THE REPORT CONCLUDES THAT CONSTRUCTION OF AN ENRICHMENT PLANT IN CANADA TO SUPPLY THE EXPORT MARKET IS LESS ATTRACTIVE TODAY THAN IT WAS WHEN FIRST STUDIED IN 1971.

ACCORDINGLY THE FEDERAL GOVERNMENT WILL NOT BE CHANGING THE CURRENT POLICY WHICH PUTS THE ONUS ON PROMOTERS OF SUCH A PROJECT TO PROVE THE NATIONAL INTEREST BEFORE WE INITIATE ANY OF THE REQUIRED INTER-GOVERNMENTAL NEGOTIATIONS ON ACCESS TO TECHNOLOGY.

NOW, MR. CHAIRMAN, LET ME TURN BACK TO THE BROAD QUESTION OF ENERGY POLICY. IN SOME QUARTERS OF THIS COUNTRY IT IS FASHIONABLE TO SUGGEST THAT CANADA DOES NOT HAVE AN ENERGY POLICY WORTHY OF THE NAME. SINCE FAR AWAY FIELDS ALWAYS LOOK

GREENER, THE ENERGY PLAN RECENTLY PROPOSED TO CONGRESS BY THE U.S. ADMINISTRATION IS NOT INFREQUENTLY PUT FORWARD AS A MODEL FOR US TO FOLLOW.

I WOULD BE THE FIRST TO ACKNOWLEDGE THAT DEVELOPING A CANADIAN ENERGY POLICY HAS BEEN A DIFFICULT AND TIME-CONSUMING TASK. IT COULD HARDLY BE OTHERWISE, GIVEN THE COMPLEXITY OF THE PROBLEMS INVOLVED AND THE SERIOUS CONSTRAINTS IMPOSED BY THE DIVISION OF RESPONSIBILITY BETWEEN THE FEDERAL GOVERNMENT AND THE PROVINCES WHICH OWN OUR NATURAL RESOURCES.

WITHOUT DETRACTING IN ANY WAY FROM THE PROPOSED PLAN DEVELOPED BY PRESIDENT CARTER'S ADMINISTRATION, I WOULD POINT OUT THAT IT REMAINS JUST THAT - A PROPOSED PLAN, ONE THAT IS VERY MUCH SUBJECT TO THE DECISION OF CONGRESS. BY CONTRAST, WE IN THIS COUNTRY HAVE LONG SINCE ESTABLISHED A COMPREHENSIVE NATIONAL ENERGY STRATEGY, WHICH WE HAVE BEEN PROCEEDING TO IMPLEMENT THROUGH POLICIES AND PROGRAMS ALREADY IN PLACE AND THROUGH NEW POLICIES AND PROGRAMS WHICH ARE BEING CONTINUALLY DEVELOPED, BOTH TO REDUCE ENERGY CONSUMPTION AND TO EXPAND ENERGY SUPPLY. THERE ARE, HOWEVER, NONE SO DEAF AS THOSE WHO WILL NOT HEAR, NOR SO BLIND AS THOSE WHO WILL NOT SEE. MY ANSWER TO SUCH PEOPLE IS TO CHALLENGE THEM. SHOW ME AN AREA WHERE WE LACK A POLICY - BUT DON'T CONFUSE DISAGREEMENT WITH NON-EXISTENCE. TELL ME HOW WE CAN IMPROVE OUR POLICIES. THE



RESPONSE HAS BEEN A DEAFENING SILENCE. OBVIOUSLY IT IS MUCH EASIER TO GENERALIZE THAN IT IS TO BE SPECIFIC.

ONE OF THE MOST CRITICAL OF ALL FACTORS IN DETERMINING OUR CAPACITY TO MEET THE ENERGY CHALLENGE THAT CONFRONTS US IS THE PRICING OF ENERGY RESOURCES. PRICE IS AN ELEMENT THAT BEARS IN A VITAL WAY ON THE SUCCESS OF THE TWO BASIC THRUSTS OF POLICY - CONSERVATION OF CONSUMPTION AND INCREASED SUPPLY.

AS YOU KNOW, WE HAVE FOR A NUMBER OF YEARS HELD THE PRICE OF PETROLEUM PRODUCTS SIGNIFICANTLY BELOW WORLD LEVELS IN ORDER TO MODERATE THE ADVERSE IMPACT OF A SUDDEN AND DRASTIC INCREASE ON THE CANADIAN PEOPLE AND THE CANADIAN ECONOMY. WE HAVE DONE THIS BY MAINTAINING A CEILING ON THE PRICE OF DOMESTIC PETROLEUM OUTPUT AND BY PROVIDING A SUBSIDY ON FOREIGN OIL IMPORTED INTO EASTERN CANADA; A SUBSIDY WHICH SINCE 1974 HAS COST \$4 BILLION OF WHICH WELL OVER HALF HAS GONE TO QUEBEC REFINERIES. THE AVERAGE SAVING TO EVERY QUEBEC CONSUMER, ADULTS, TEENAGERS AND CHILDREN, FROM THIS COMPENSATION PROGRAM NOW TOTALS ABOUT \$400.

THE COMPENSATION PROGRAM IS ONE OF THE MAJOR ELEMENTS OF CANADA'S POLICY OF A ONE-PRICE SYSTEM FOR OIL ACROSS THE COUNTRY, EXCLUSIVE OF TRANSPORTATION COSTS. THIS SYSTEM OF CONTROLLED PRICES FOR DOMESTIC OIL, AND COMPENSATION FOR HIGH COST IMPORTS, HAS SERVED US WELL AND IT IS ONE WHICH WE ARE STRIVING TO MAINTAIN.

A FURTHER ELEMENT OF OUR POLICY RELATES TO SECURITY OF SUPPLY. UNTIL EXTENSION OF THE INTERPROVINCIAL (IPL) PIPELINE WAS COMPLETED TO MONTREAL LAST YEAR THIS PROVINCE WAS TOTALLY DEPENDENT UPON INSECURE DELIVERIES OF OIL FROM THE OPEC NATIONS. THE POSSIBILITY OF CURTAILMENT OF SUCH SUPPLIES, ASIDE ENTIRELY FROM THEIR COST, IS EXTREMELY HIGH, AND ESPECIALLY DANGEROUS FOR QUEBEC WHICH DEPENDS ON OIL FOR MORE THAN 70 PER CENT OF ITS TOTAL ENERGY NEEDS. WE RECOGNIZED THIS AND TOOK THE INITIATIVE IN UNDERWRITING THE COMPLETION OF THE IPL EXTENSION. IT IS NOW DELIVERING 250,000 BARRELS A DAY OF SECURE, DOMESTIC OIL TO MONTREAL REFINERIES AND THE FEDERAL GOVERNMENT IS CARRYING THE TRANSPORTATION COSTS WHILE THE NATIONAL ENERGY BOARD REVIEWS THE TRANSPORTATION TARIFF WHICH IS APPROPRIATE FOR THE SYSTEM.

THE N.E.B. HAS ALREADY DECIDED, HOWEVER, THAT THE COST OF THE IPL SYSTEM SHOULD BE APPLIED SOLELY TO THE OIL DELIVERED TO MONTREAL. THIS WOULD HAVE THE RESULT OF DISTORTING THE PRESENT POLICY OF EQUIVALENT PRICING IN CANADA'S TWO MAJOR CENTRES, TORONTO AND MONTREAL, A POLICY BY THE WAY WHICH ALSO EXTENDS TO NATURAL GAS. ACCORDINGLY THE GOVERNMENT NOW IS ASSESSING POSSIBLE ALTERNATIVES WHICH WILL AVOID THE DISTORTION WHICH WOULD OTHERWISE OCCUR.

WE HAVE ALSO RECOGNIZED HOWEVER THAT IT IS ESSENTIAL OVER THE LONGER TERM TO ALLOW CANADIAN OIL AND GAS PRICES TO MOVE TOWARDS THE LEVEL THAT OTHER COUNTRIES HAVE BEEN PAYING FOR SOME YEARS NOW. THIS IS REQUIRED IN ORDER TO ACHIEVE THREE GOALS. SUCH AN INCREASE IS NEEDED TO REDUCE THE WASTEFUL CONSUMPTION OF ENERGY, TO PROVIDE THE FUNDS REQUIRED TO COVER THE MASSIVELY INCREASED COST OF FINDING AND DEVELOPING NEW ENERGY CAPACITY, AND TO PROVIDE A FAIR RETURN TO THE PEOPLE IN THOSE PROVINCES WHO OWN THESE DEPLETING ENERGY SOURCES.

I AM SURE THAT MANY OF YOU WILL BE AWARE THAT LATE LAST WEEK I ANNOUNCED FURTHER STEPS THAT WOULD BE TAKEN TO IMPLEMENT THAT PRICING POLICY. AS OF JULY 1, THE PRICE OF NEW CRUDE OIL PRODUCED IN CANADA WILL BE INCREASED BY \$1 A BARREL, FOLLOWED BY THREE FURTHER INCREASES OF \$1 A BARREL AT SIX-MONTH INTERVALS. BY JANUARY 1, 1979 THE PRICE WILL BE \$13.75 A BARREL. I WOULD POINT OUT THAT EVEN BY THAT DATE THE PLANNED CANADIAN PRICE WOULD BE NEARLY \$1 A BARREL LESS THAN THE CURRENT COST OF IMPORTING FOREIGN CRUDE OIL ON THE EAST COAST OF THIS COUNTRY, OR THROUGH THE PORTLAND PIPELINE TO MONTREAL.

THE PRICE OF NATURAL GAS WILL ALSO BE INCREASED TO MAINTAIN THE APPROXIMATE 85 PER CENT COMMODITY VALUE WITH OIL OVER THE NEXT YEAR. ANY FURTHER ADJUSTMENTS IN GAS PRICES



WILL DEPEND ON THE OUTCOME OF DISCUSSIONS WITH THE ALBERTA GOVERNMENT FOLLOWING THIS PLANNED INCREASE. IN ADDITION, THE PRICE OF NATURAL GAS EXPORTED TO THE U.S. WILL BE INCREASED FROM THE PRESENT LEVEL OF \$1.94 PER THOUSAND CUBIC FEET TO \$2.28 IN CANADIAN DOLLAR TERMS, OR \$2.16 PER MCF IN U.S. DOLLAR TERMS.

IN THE SAME ANNOUNCEMENT LAST WEEK, I ALSO INDICATED THAT THE FEDERAL GOVERNMENT WAS PREPARED TO MAKE COMPENSATION PAYMENTS TO REFINERS IN ORDER TO PROVIDE A MECHANISM FOR MEETING OUR UNDERTAKING TO ALLOW SYNCRUDE TO CHARGE FULL WORLD PRICES FOR OIL PRODUCED FROM THE TAR SANDS.

AS I HAVE INDICATED, AN INCREASE IN OIL AND GAS PRICES IS ESSENTIAL TO MEET THE VERY MUCH HIGHER COSTS WE FACE TO FIND, DEVELOP AND MARKET NEW ENERGY SUPPLIES. DEVELOPING THOSE NEW SOURCES OF ENERGY WILL REQUIRE US TO MOVE FORWARD ON MANY FRONTS. WE MUST, AS I SAID EARLIER, GREATLY EXPAND OUR ELECTRICAL GENERATING CAPACITY. WE MUST MAINTAIN THE SEARCH FOR NEW GAS AND OIL RESERVES FROM CONVENTIONAL SOURCES - A SEARCH THAT SHOULD BE FURTHER SPURRED ON BY THE SCHEDULED INCREASE IN PRICES OVER THE NEXT YEAR AND A HALF.

I AM HOPEFUL THAT WITHIN THE NEXT FEW MONTHS AN AGREEMENT WILL EMERGE FROM OUR CURRENT ROUND OF TALKS WITH

THE GOVERNMENT OF ALBERTA AND SASKATCHEWAN ON THE ESTABLISHMENT OF FISCAL AND COMMERCIAL ARRANGEMENTS WHICH WILL PAVE THE WAY FOR FURTHER DEVELOPMENT OF THE TAR SANDS AND SUBSTANTIALLY INCREASED OUTPUT FROM THE HEAVY OIL DEPOSITS WE KNOW TO EXIST IN HUGE QUANTITIES IN BOTH PROVINCES.

AT THE SAME TIME, IT IS ALSO IMPORTANT FOR US TO PRESS THE SEARCH FOR OIL AND GAS IN THE FRONTIER AREAS OF THE FAR NORTH AND OFFSHORE IN ORDER TO DETERMINE TO WHAT EXTENT RESERVES FROM THAT SOURCE MAY EXIST TO MEET FUTURE DEMANDS. THE ANNOUNCEMENT I MADE LAST WEEK OF THE GOVERNMENT'S DECISION TO LIFT THE FIVE-YEAR FREEZE ON THE ISSUANCE OF NEW PERMITS AND LEASES IN THE FRONTIER, TO OPEN UP NEW TERRITORY FOR EXPLORATION AND DEVELOPMENT, AND TO IMPLEMENT THE PROPOSED NEW RULES AND REGULATIONS UNDER EXISTING STATUTORY AUTHORITY AND ON A CONDITIONAL BASIS SUBJECT TO APPROVAL OF NEW LEGISLATION, SHOULD DO MUCH TO PROVIDE A NEW IMPETUS TO THAT SEARCH BY PRIVATE COMPANIES. A FURTHER STIMULUS WILL ALSO BE PROVIDED BY PETRO-CANADA, THE NATIONAL COMPANY ESTABLISHED BY THE FEDERAL GOVERNMENT TO SUPPLEMENT AND REINFORCE THE EFFORTS OF PRIVATE INDUSTRY.

IN ADDITION, OF COURSE, IT IS ALSO IMPORTANT TO INTENSIFY RESEARCH INTO POTENTIAL NEW SOURCES OF RENEWABLE POWER, SUCH AS THAT GENERATED FROM SUN, WIND AND TIDES, TO

IMPROVE OUR TECHNOLOGY FOR EXPLOITING CONVENTIONAL ENERGY SOURCES, AND TO INCREASE OUR EFFICIENCY IN THE PRODUCTION AND CONSUMPTION OF ENERGY GENERALLY.

BEFORE I LEAVE THIS SUBJECT, I WOULD LIKE TO MAKE A FURTHER COMMENT ON THE QUESTION OF RENEWABLE ENERGY RESOURCES, PARTICULARLY WIND AND SOLAR POWER. THERE ARE A GOOD MANY PEOPLE WHO HAVE HIGH EXPECTATIONS THESE SOURCES WILL GO A LONG WAY TOWARD PROVIDING A SOLUTION TO OUR ENERGY PROBLEMS WITHIN THE NEAR FUTURE. I WOULD BE DELIGHTED IF I THOUGHT THAT WERE TRUE. THE FACT IS, HOWEVER, THAT VIRTUALLY EVERY INDEPENDENT STUDY BY THOSE WHO ARE EXPERT IN THE FIELD - AND THERE HAVE BEEN HALF A DOZEN OF THEM COMPLETED IN AS MANY MONTHS - HAVE ALL CONCLUDED THAT WE CANNOT RELY ON RENEWABLE ENERGY AS A MAJOR NEW SOURCE WITHIN THE NEXT 10 TO 20 YEARS.

THE CONSENSUS AMONG THE EXPERTS IS THAT AT BEST WE CAN ONLY COUNT ON RENEWABLE SOURCES TO PROVIDE AROUND THREE PER CENT OF OUR TOTAL ENERGY REQUIREMENTS BY 1990 AND AROUND FIVE TO SIX PER CENT BY THE END OF THE CENTURY. THIS IS NOT AN INSIGNIFICANT AMOUNT OF POWER. RELATIVE TO OUR TOTAL ENERGY REQUIREMENTS, HOWEVER, IT WOULD REPRESENT ONLY A SMALL FRACTION OF THE AMOUNT WE WILL REQUIRE BY THAT TIME. THE MOST IMPORTANT CONSTRAINTS ON THE FASTER EXPANSION OF SOLAR POWER ARE ECONOMIC AND TECHNOLOGICAL, CONSTRAINTS THAT ARE PARTICULARLY SEVERE IN

THE CASE OF BUILDINGS ALREADY IN PLACE, WHICH CAN BE ADAPTED TO ITS USE ONLY AT CONSIDERABLE COST. EQUALLY PRACTICAL PROBLEMS ARE ALSO EVIDENT IN THE CASE OF WIND POWER. I AM TOLD THAT TO SUPPLY THE ELECTRICAL ENERGY REQUIREMENTS OF A CITY THE SIZE OF OTTAWA WOULD TAKE 40,000 WINDMILLS SEVEN STORES HIGH.

I AM CONCERNED THAT SOME ZEALOUS ADVOCATES OF RENEWABLE ENERGY COULD IN THEIR ENTHUSIASM DO IRREPARABLE HARM TO THEIR CAUSE BY RAISING QUITE UNREALISTIC EXPECTATIONS AND ENCOURAGING FLY-BY-NIGHT OPERATORS WHO WOULD HOPE TO PREY ON THE GULLIBLE BY PROMISING ALL SORTS OF BENEFITS FROM SOLAR RETROFIT SYSTEMS.

I WOULD LIKE NOW TO DEAL WITH THE OTHER MAIN THRUST OF POLICY - THE MORE EFFICIENT AND PRUDENT USE OF ENERGY. BECAUSE ENERGY IN THE PAST WAS RELATIVELY CHEAP IN THIS COUNTRY, OUR PER CAPITA CONSUMPTION HAS DEVELOPED INTO ONE OF THE HIGHEST IN THE WORLD. OVER THE PAST 15 YEARS, DEMAND FOR ENERGY HAS RISEN AT AN AVERAGE ANNUAL RATE OF 5.5 PER CENT. OUR TARGET OVER 10 YEARS IS TO REDUCE THE ANNUAL RATE OF GROWTH OF LESS THAN 3.5 PER CENT AND BEYOND THAT TO ZERO GROWTH PER CAPITA.

I HAVE NO DOUBT THAT THE INCREASE IN ENERGY PRICES WILL BE A PRIME FACTOR IN THE ACHIEVEMENT OF THAT GOAL, SINCE SAVING ENERGY WILL ALSO RETURN A REAL SAVING IN MONEY. BUT



WE HAVE ALREADY ADOPTED A NUMBER OF OTHER MEANS TO PROMOTE GREATER ENERGY CONSERVATION. FOR EXAMPLE, WE HAVE ESTABLISHED GASOLINE MILEAGE STANDARDS THAT WILL HAVE TO BE MET BY NEW CAR FLEETS AS OF 1980, WHICH WILL HAVE THE EFFECT OF REDUCING GASOLINE CONSUMPTION BY AUTOMOBILES BELOW THAT IN 1976 EVEN THOUGH MANY MORE CARS WILL UNDOUBTEDLY BE ON THE ROAD. WE HAVE ALREADY IMPOSED A 10 PER CENT EXCISE TAX ON GASOLINE EMPLOYED IN VEHICLES FOR NON-COMMERCIAL PURPOSES BOTH TO SPUR CONSERVATION AND TO HELP COVER THE COST OF THE OIL IMPORT SUBSIDY. WE HAVE IMPOSED SPECIAL TAXES ON AUTOMOBILE AIR CONDITIONERS AND HEAVIER MODEL VEHICLES TO DISCOURAGE THEIR USE. AT OUR URGING, A NUMBER OF THE PROVINCES HAVE MOVED TO REDUCE HIGHWAY SPEED LIMITS AND HENCE THE CONSUMPTION OF GASOLINE.

AT THE SAME TIME, WE HAVE ALSO REMOVED THE FEDERAL SALES TAX ON INSULATION AND ENERGY-SAVING EQUIPMENT TO ENCOURAGE THEIR USE AND ESTABLISHED A SPECIAL GRANT AND LOAN PROGRAM TO PROMOTE INCREASED HOME INSULATION IN NOVA SCOTIA AND PRINCE EDWARD ISLAND, TWO PROVINCES PARTICULARLY HARD-HIT BY THEIR DEPENDENCE ON OIL FOR ELECTRICAL POWER. NEW INSULATION STANDARDS HAVE BEEN DEVELOPED UNDER THE NATIONAL BUILDING CODE TO PROMOTE ENERGY SAVING. INTENSIVE DISCUSSIONS HAVE BEEN LAUNCHED WITH 12 OF THE KEY INDUSTRIAL SECTORS TO EXPLORE WAYS

BY WHICH THEY CAN SUBSTANTIALLY REDUCE THEIR ENERGY CONSUMPTION OVER THE COURSE OF THE NEXT SEVERAL YEARS. BEGINNING THIS YEAR, A NUMBER OF APPLIANCES WILL BE REQUIRED TO CARRY LABELS INDICATING THEIR ENERGY EFFICIENCY.

THAT IS BY NO MEANS AN EXHAUSTIVE LIST, BUT IT WILL GIVE YOU SOME IDEA OF THE BREADTH OF THE ACTIVITIES WE HAVE BEEN UNDERTAKING TO PROMOTE ENERGY SAVING.

NOW I WOULD LIKE TO TELL YOU ABOUT A MAJOR NEW MEASURE TO FURTHER REDUCE ENERGY CONSUMPTION THAT I ANNOUNCED IN OTTAWA YESTERDAY - THE ESTABLISHMENT OF A CANADIAN HOME INSULATION PROGRAM. UNDER THE PROGRAM, THE FEDERAL GOVERNMENT WILL MAKE AVAILABLE TAXABLE GRANTS OF UP TO \$350 OVER A SEVEN YEAR PERIOD TO COVER TWO-THIRDS OF THE MATERIAL COSTS OF REINSULATING EXISTING HOMES. THE TOTAL COST OF THE PROGRAM IS ESTIMATED AT AROUND \$1.4 BILLION, WITH THE NET COST TO THE FEDERAL TREASURY BEING REDUCED BY SOME \$300 MILLION THROUGH RETURNS IN INCOME TAX REVENUE. A FURTHER \$150 MILLION IN TAX REVENUE WOULD ALSO GO TO THE PROVINCES, WHICH WE ARE HOPEFUL THEY WILL EMPLOY TO HELP FINANCE SUPPLEMENTARY CONSERVATION PROGRAMS OF THEIR OWN.

WE ESTIMATE THAT BY THE END OF THE PROGRAM, CANADIANS WILL BE REAPING ANNUAL SAVINGS IN ENERGY CONSUMPTION EQUIVALENT TO MORE THAN 50 MILLION BARRELS OF OIL A YEAR - MOST OF IT IN THE FORM OF FOSSIL FUELS. THAT REPRESENTS THE EQUIVALENT

SAVING OF AROUND 140,000 BARRELS OF OIL A DAY, WHICH IS NEARLY ONE AND A HALF TIMES THE NET AVERAGE ANNUAL OUTPUT EXPECTED FROM A TAR SANDS PLANT LIKE THAT NOW BEING BUILT BY SYNCRUDE. AS A RESULT OF THIS SAVING, OUR REQUIREMENT FOR OIL IMPORTS SHOULD BE REDUCED BY NEARLY \$1 BILLION A YEAR WHEN THE PROGRAM HAS BEEN COMPLETED. CONSIDERING THAT THE NET OUTLAY BY THE FEDERAL GOVERNMENT TO ACHIEVE THIS SAVING IN ENERGY CONSUMPTION IS ABOUT A FIFTH OF THE COST OF ESTABLISHING AN EQUIVALENT ENERGY OUTPUT THROUGH TAR SANDS PLANTS I THINK YOU WILL AGREE THAT IT REPRESENTS AN EXCELLENT INVESTMENT FROM EVERY POINT OF VIEW.

IN QUEBEC ALONE, WE ESTIMATE THAT THE REINSULATION OF EXISTING HOMES WILL REDUCE ENERGY DEMAND BY THE EQUIVALENT OF 11.6 MILLION BARRELS PER YEAR, OR ABOUT 32,000 BARRELS PER DAY.

ALL PROVINCES HAVE BEEN ASKED TO AGREE AS PART OF THIS PROGRAM TO IMPLEMENT NEW BUILDING STANDARDS BEING DEVELOPED AS PART OF THE NATIONAL CODE BY THE NATIONAL RESEARCH COUNCIL, WHICH WILL RESULT IN FURTHER SIGNIFICANT SAVING IN ENERGY. OUR PROJECTIONS INDICATE, FOR EXAMPLE, THAT BY 1985 APPLICATION OF THESE NEW STANDARDS WOULD RESULT IN A FURTHER ENERGY SAVING IN QUEBEC EQUIVALENT TO 2.9 MILLION BARRELS OF OIL ANNUALLY.

IN ADDITION TO APPLYING THE REVISED MEASURES INCORPORATED IN THE REVISED BUILDING CODE, WE HAVE ALSO BEEN DISCUSSING OTHER MEASURES REQUIRED OF THE PROVINCES TO REINFORCE THE NATIONAL PROGRAM. THESE INCLUDE A REDUCTION OF HIGHWAY SPEED LIMITS BY THOSE PROVINCES WHICH HAVE NOT ALREADY DONE SO TO PROVIDE FOR A MAXIMUM OF 55 MILES PER HOUR ON TWO-LANE HIGHWAYS AND 60 MILES PER HOUR ON THOSE OF MORE THAN TWO LANES, ELIMINATION OF PROVINCIAL SALES TAXES ON INSULATING MATERIAL, AVOIDANCE OF INCREASED PROPERTY TAX ASSESSMENTS BECAUSE OF REINSULATION OR INSTALLATION OF SOLAR HEATING, AND THE PROHIBITION OF BULK METERING OF POWER AND GAS IN NEW MULTIPLE HOUSING UNITS.

IN ADDITION TO THESE CONDITIONAL REQUIREMENTS, THE PROVINCES ARE ALSO BEING URGED TO CONSIDER IMPLEMENTATION OF A FURTHER FOUR MEASURES TO ENCOURAGE ENERGY CONSERVATION. THESE INCLUDE THE PROVISION OF LOANS AT PREFERRED RATES TO HELP HOMEOWNERS MEET INSULATION COSTS NOT COVERED BY THE FEDERAL PROGRAM, REVISION OF UTILITY PRICING SCHEDULES TO REFLECT MORE ACCURATELY THE ACTUAL COST OF SUPPLY, REVISION OF LANDLORD-TENANT AND/OR RENT CONTROL LEGISLATION TO PROVIDE AN INCENTIVE FOR LANDLORDS TO INSULATE RENTAL HOUSING UNITS, AND ESTABLISHMENT OF TRAINING AND CERTIFICATION PROGRAMS FOR ALL INSULATION INSTALLERS AND HOME FURNACE SERVICEMEN.



MR. CHAIRMAN, ALL OF THESE COMPONENTS ANNOUNCED BY THE FEDERAL GOVERNMENT WITHIN RECENT DAYS - THE MOVE TO OPEN UP FURTHER FRONTIER LANDS FOR EXPLORATION AND TO IMPLEMENT A NEW REGULATORY REGIME IN THAT REGION, THE PROVISION FOR ADDITIONAL STAGED INCREASES IN DOMESTIC OIL AND GAS PRICES AND IN GAS EXPORT PRICES, THE MECHANISM FOR PROVIDING WORLD PRICING OF SYNCRUDE OUTPUT, THE IMPENDING TASK FORCE REPORT ON SAFE NUCLEAR WASTE DISPOSAL, THE CANADIAN HOME INSULATION PROGRAM AND SUPPLEMENTARY PROVINCIAL INITIATIVES - ADD AN IMPORTANT NEW DIMENSION TO CANADA'S NATIONAL ENERGY STRATEGY.

WHAT THESE DEVELOPMENTS UNDERLINE IS THE FACT THAT OUR NATIONAL ENERGY STRATEGY IS NOT STATIC, BUT DYNAMIC. I EXPECT THAT FURTHER ELEMENTS OF POLICY WILL BE INCORPORATED AS PART OF THAT STRATEGY IN THE MONTHS TO COME AND EXISTING ELEMENTS REVISED OR MODIFIED AS THAT BECOMES NECESSARY TO RESPOND TO THE OVERALL ENERGY SITUATION. FOR ONE THING IS CLEAR -- THE ENERGY SITUATION HERE IN CANADA AND INTERNATIONALLY IS NOT STATIC. WE CAN EXPECT DYNAMIC CHANGES. WE MUST BE READY TO MEET THEM AS CANADIANS.

EXTRACTS FROM A SPEECH BY THE HONOURABLE ALASTAIRE GILLESPIE

MINISTER OF ENERGY, MINES AND RESOURCES

TO THE VANCOUVER BOARD OF TRADE, JULY 6, 1977

The following extracts from Mr. Gillespie's speech outline the significance of Canada's energy policies for the Western provinces. The full text is available from the Canadian Unity Information Office upon request.

"As you know, we have for a number of years, held the price of petroleum products significantly below world levels in order to moderate the adverse impact of a sudden and drastic increase on the Canadian people and the Canadian economy. We have done this by maintaining a ceiling on the price of domestic petroleum output and by providing a subsidy on foreign oil imported into Canada, a subsidy which since 1974 has cost \$4 billion. Lower oil prices for the people of B.C. as a result of the Government's program have provided benefits of \$850 million since 1974. If Canadian prices had risen to world prices as prices did in most countries at that time, every citizen in B.C. would have had to pay the equivalent of approximately \$350. more during that period.

At the same time, however, we have recognized that it was essential over the longer term to allow Canadian oil and gas prices to move towards the level that other countries have been paying for some years now. This is required in order to achieve three goals. Such an increase is needed to reduce the wasteful consumption of energy, to provide the funds required to cover the massively increased cost of finding and developing new energy capacity, and to provide a fair return to the people in those provinces who own these depleting energy sources.

I am sure that many of you will be aware that last week, I announced further steps that would be taken to implement the pricing policy. As of June 1, the price of new crude oil produced in Canada

will be increased by \$1 dollar a barrel, followed by three further increases of \$1 a barrel at six-month intervals. By January 1, 1979, the price will be \$13.75 a barrel. I would point out that even by that date the planned Canadian price would be nearly \$1 a barrel less than the current \$14.70 per barrel cost of importing foreign crude oil on the west coast of this continent."

\* \* \*

"In the same announcement I also indicated that the Federal government was prepared to make compensation payments to refiners in order to provide a mechanism for meeting our undertaking to allow Syncrude to charge full world prices for oil produced from the tar sands."

\* \* \*

"We must develop our tar sands and heavy oil, I am hopeful that within the next few months an agreement will emerge from our current round of talks with the governments of Alberta and Saskatchewan on the establishment of fiscal and commercial arrangements which will pave the way for further development of the tar sands and substantially increased output from the heavy oil deposits we know to exist in high quantities in both provinces."

\* \* \*



"We must find new and better ways to mine and utilize our coal resources, and B.C. clearly has an immense opportunity to participate in such developments.

For example, the work being carried out by B.C. Hydro at Hat Creek. The eventual electricity generated from the first station could be as much as 2000MW and although it will use conventional technology we will all be watching for developments in technology that could be applied. In this regard, our Department have participated with Hydro in a study of coal gasification and is currently involved in another joint study of the merits of new combustion techniques.

What all this means to B.C. and the B.C. consumer is security. I don't believe the British Columbians wish to depend on other countries for the fuel to run their cars or heat their homes. But if we don't develop, admittedly at a great cost, the additional fossil reserves of Alberta and the frontier north, then the source of supply for fuel for B.C. will be definitely less secure than Alberta's has traditionally been. We must work together through research, financing, and interest with your provincial government and Alberta's to develop new and, in some cases, futuristic energy supply sources. An example of this type of co-operation is in the discussions the Federal government, Mr. Davis and the industry are engaged in, concerning the production of fuel from gassified wood wastes. This proposition offers an immense opportunity for B. C. and Canada in producing a fuel for the future. Of

course, we will also intensify research into potential new sources of renewable power, such as that generated from sun, wind and tides, to improve our technology for exploiting conventional energy sources, and to increase our efficiency in the production and consumption of energy generally."

EXTRACTS FROM THE SPEECH FROM THE THRONE

OPENING THE THIRD SESSION

OF THE THIRTIETH PARLIAMENT

October 18, 1977

The following extracts give some indication of the directions to be pursued by the Federal government in the energy field.







"In the field of energy, it will continue to be the determined policy of the Government to work with the provinces toward the goal of self-reliance, particularly by encouraging exploration and conservation to reduce our dependence on imported oil. Further encouragement will be given to the development of energy sources, and of the application of solar energy.

There are encouraging signs that the policy measures introduced over the past few years to promote exploration and development are beginning to bear fruit. In particular, exploration for natural gas in Western Canada appears to have been highly successful over the past two years. There are also encouraging prospects in the Beaufort Sea area and the Arctic Islands. Petro-Canada, in co-operation with the private sector, is seriously examining the feasibility of delivering natural gas to markets in Quebec and the Atlantic Provinces.

Exploration in the Arctic will be further encouraged by the proposed northern gas pipeline. A Bill will be placed before you to seek your approval for the implementation of the pipeline agreement negotiated with the Government of the United States. This historic agreement - which will launch one of the largest civil engineering projects in the history of the world - will provide immense benefits to Canada through jobs, investment, the purchase of materials and through easier and cheaper access to northern Canadian gas reserves.

You will also be asked to approve a Canadian Petroleum and Natural Gas Act, which will regulate oil and gas exploration on federally administered lands and establish a system of royalty payments.

The Government is committed to ensure that northern development occurs in a manner consistent with the rights of northern native peoples to negotiate a just and reasonable settlement of their land claims, and to participate in and shape such development. Consultations with native groups are continuing. In the Yukon, the Government will propose special measures to ensure that pipeline construction will not prejudice native rights or foreclose opportunities. In the Northwest Territories, the Government has appointed a commissioner to consult with interested groups and advise on the pace and manner of further constitutional evolution of the Territories."

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LE DEVOIR

14 November 1977

QUEBEC AND ITS ENERGY NEEDS  
(editorial)

(Translation of the French)



Editorial

Quebec and its energy needs

Two events of major significance occurred during November that served to remind us of one of the most serious problems which Quebec, like all other industrialized societies, must prepare to deal with over the next few years: the problem of energy supply.

The first event was the speech by the Quebec Minister of Energy, Guy Joron, at the Third International Conference on Petroleum Energy, held at Laval University at the beginning of the month. The second event was the publication last week of a pamphlet by Carl E. Beigie and Judith Maxwell, economists at the C.D. Howe Research Institute, entitled Quebec's Vulnerability in Energy.

Joron is in favour of sovereignty for Quebec: this is clear in his speech to the Conference on Petroleum Energy. The economists from the C.D. Howe Institute, on the other hand, are in favour of maintaining the links between Quebec and Canada; this fact is also noticeable in the way they ask certain questions and, even more so, in the answers they provide, although this does not necessarily detract from the validity of their work. Despite the differences between Joron's speech and the C.D. Howe Institute pamphlet, there are striking points of contact with



regard to the nature of Quebec's energy problem. Although the similarities are less marked as they relate to future prospects, it is not very difficult to discern which of the options is more realistic.

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From a factual point of view, certain fundamental data emerge, regardless of the way we look at the energy question.

In the first place, Quebec has one of the highest rates of energy consumption in the world. It is also one of the societies most dependent on outside sources of supply to meet its energy needs.

A widely accepted myth has it that Quebec enjoys virtually unlimited hydro-electric potential, thanks to its ultramodern facilities for producing electrical power and the many rivers which may be harnessed for this purpose in the future. However, even a cursory examination of the facts reveals that this myth is highly fanciful.

It is true that Quebec is well-endowed with hydro-electric potential. In developing its resources in this sector it can also count on a nationalized corporation whose excellent management has frequently been recognized on the American financial market as a result of comparative

studies which drew conclusions extremely favourable to Hydro-Quebec. In 1975, however, hydro-electric power accounted for only a little over twenty per cent of Quebec's energy needs. Almost four-fifths of Quebec's needs were supplied by oil and gas, two products which Quebec must import.

Hydro-Quebec, it is true, has for several years been conducting a vigorous marketing policy which should guarantee it a growing share of the Quebec market in the years ahead. However, notwithstanding the fact that Hydro's forecasts in this area are quite different from those of the oil industry, the most generous of Hydro's estimates puts at only about forty-five per cent the proportion of Quebec's energy needs that could be provided by electricity by 1995.

We must conclude that for a long time to come Quebec will be dependent on energy supplies from external sources to meet its needs. Joron intends to rely on an intensive energy conservation program. Given, as he points out, the immense waste of energy, for which we are all responsible, it is not an exaggeration to think that a program of this kind could produce significant results, although it should be realized from the outset that it will meet with strong resistance. There is one harsh fact, however, which cannot be ignored. Energy, as Carl E. Beigie and Judith Maxwell stress, plays a vital role in Quebec industry... Industry in Quebec is dominated

by pulp and paper, the refining of aluminum and other metals and petrochemicals. These three industries require large quantities of energy, and one of the main reasons why they are established in Quebec and have penetrated world markets is the fact that until the early seventies, they were able to obtain cheap-supplies of oil and electricity.

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Nevertheless, Quebec - and Joron admits this - will have to continue to obtain its energy supplies from outside its borders for a long time. It will have to do so at least until substantial deposits of petroleum, gas, uranium or coal are found in Quebec. This fact makes clear the importance of the link with Canada.

In the short term, Canada is in a difficult situation with respect to energy supplies. The reserves of conventional petroleum in Saskatchewan and Alberta seem likely to be depleted sooner than expected. It is also difficult to make full use in the short term, of the vast reserves of gas found in Alberta, British Columbia and in the Arctic. After several years of surplus, especially during the crucial period following the spectacular rise in oil prices in 1973, Canada's energy balance now shows a deficit in foreign trade; we are now exporting less energy than we import, and this trend will probably become more

pronounced in a few years' time.

Although serious, these problems are only temporary. Canada is at present in a tunnel: some day it will leave this tunnel, thanks to its vast reserves of gas and bitumen which give it practically unlimited resources for the future, not to mention the discoveries which may be made at any time off the Atlantic coast and in the Arctic. At the present time the cost of exploiting these deposits is too high in comparison with the cost, for example, of obtaining supplies from Venezuela or the Middle East. As the cost of oil from these regions increases, however, the prospects for exploiting Canadian deposits of gas, heavy oil and bitumen are improved. Moreover, Canada has at its disposal very considerable coal and uranium resources, which will help to increase its energy options.

To sum up, Beigie and Maxwell conclude that the general picture (from a Canadian perspective) is one of considerable potential for a dynamic policy. Canada has a greater variety of potential energy resources than almost any other country in the world. The possibility of foregoing these potential resources is only one of the hazardous decisions to which Quebeckers will have to devote some thought in the coming months.

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With respect to guaranteed supplies, severing the link with Canada would cause serious problems which, rather surprisingly, Joron did not mention in the concluding section of his speech to the International Conference on Petroleum Energy, when he spoke of future supply policies. To be sure, Joron mentioned all manner of possibilities with respect to the maximum exploitation of domestic energy resources, possible increases in imports of conventional energy sources, emphasis on gas and coal, improvements in stockpiling and so on. However, through a strange and disturbing oversight, he managed to speak at length on this topic without mentioning the unparalleled long-term security which Quebec could have merely by keeping in mind that it is still a part of Canada.

If we now move from the matter of security in energy supplies to a consideration of economic activity in the broadest sense, we find prospects in the Canadian situation which would probably be lacking if we looked at the problem from a viewpoint that was too narrowly limited to Quebec. Beigie and Maxwell confirm that Ontario will have to meet a large part of its oil needs from sources outside Canada for a number of years to come. There is every indication that Quebec could play a major role in this respect as a supply base. Similarly, the gas found in the North will have to be piped south. In the medium and long term, Quebec, especially if it is still part of Canada, will quite naturally be a preferred market for this gas.

Joron announced that a White Paper on Energy in Quebec would be published before the end of 1977. In this document the Minister of Energy should deal forthrightly with certain questions raised by Carl E. Beigie and Judith Maxwell. Above all he will have to provide more satisfactory answers to these questions than were contained in his speech to the Third International Conference on Petroleum Energy.

Claude Ryan

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Carl E. Beigie and Judith Maxwell, Quebec's Vulnerability in Energy, an Accent Quebec publication of the C.D. Howe Research Institute, Montreal, November 1977, 48 pp, \$1 each. Publications of the C.D. Howe Institute are on sale at the Institute's head office, 2064 Sun Life Building, Montreal.

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NOTES FOR AN ADDRESS

BY

CLAUDE LANDRY

SPECIAL ADVISER, PETROLEUM REFINING  
ENERGY, MINES AND RESOURCES, CANADA

MONTREAL ENERGY SEMINAR

DECEMBER 2, 1977







I will be giving you some highlights of the energy situation in Quebec concerning availability, consumption patterns and Quebec's importance in the Canadian context.

### Availability

Quebec's endowment of natural resources is one of the most impressive in the world. It has a variety of basic minerals and raw materials essential to modern society. One only has to mention iron, aluminum, asbestos, copper and the vast forest resources to confirm its wealth.

Energy however, represents one of Quebec's few weaknesses. This first graph represents energy consumed in Quebec over the years. It is very significant that hydroelectricity which represents just about the only indigenous source of energy, has remained constant at about 20 per cent of total primary energy consumed in Quebec. It is also significant that the bulk of the energy requirements has been obtained from imported hydrocarbons at a cost to the province of roughly \$1.7 billion for 1976 alone, even with the benefit of the oil import compensation program.

Further investigation in the electricity supply picture reveals that even today, Quebec needs to import some of its electricity requirements as shown in this second graph. Internal consumption equals 94 terawatt-hours but production is at the 78 twh level leaving a deficit of roughly 17 per cent of demand. It can be seen that the equivalent of one-half of imports from Labrador eventually go to other provinces, but in

the next few years these exports are likely to decrease to meet growing internal demands, thus increasing Quebec's dependence on Labrador power even more. This dependence is now expected to continue even after the mid 1980s, when electricity from the La Grande facilities will become fully available.

It is being recognized increasingly that nuclear energy will eventually be required to supplement hydro in meeting the growing electricity demand. Its rate of implementation will be dependent on the remaining economical sources of hydro. Hopefully, Quebec will be able to locate viable uranium deposits to fuel its reactor program. In the meantime, Canada's uranium policy is protecting Quebec's future needs from resources elsewhere in Canada.

Other sources of energy such as solar and biomass are expected to increase in importance, but their impact will only become significant by the end of the century, when up to 10 per cent of the requirements may be available from these sources.

#### Consumption Patterns

The precarious energy situation in Quebec is amplified by the fact that consumption per capita is one of the highest in the world. Paradoxically, this high consumption is related directly with hydroelectricity, since its availability at low cost and proximity to population centres has promoted the development of major industries such as pulp and paper, aluminum, steel, petroleum refining and petrochemicals, which now constitute the backbone of Quebec's industrial strength. The success enjoyed by

these industries is crucial to Quebec's economy and depends on the availability of low cost power. Fortunately, this situation is expected to continue due to the large hydroelectric base already in place, and because additional capacity should not cost more in Quebec than elsewhere.

Consumption habits however, are as wasteful in Quebec as in other areas with major inefficiencies existing in practically all sectors including transportation, residential heating and commercial utilization. The province is now expected to gradually utilize more of its own energy through development of its electrical power base (either hydro or nuclear) to back out hydrocarbon imports, but major conservation and substitution efforts will be required for such an achievement. In any case, Quebec will need to rely on oil and gas to supply the majority of its energy requirements for several decades to come, in spite of the fact that the decreasing world-wide availability of these resources will threaten security of supply.

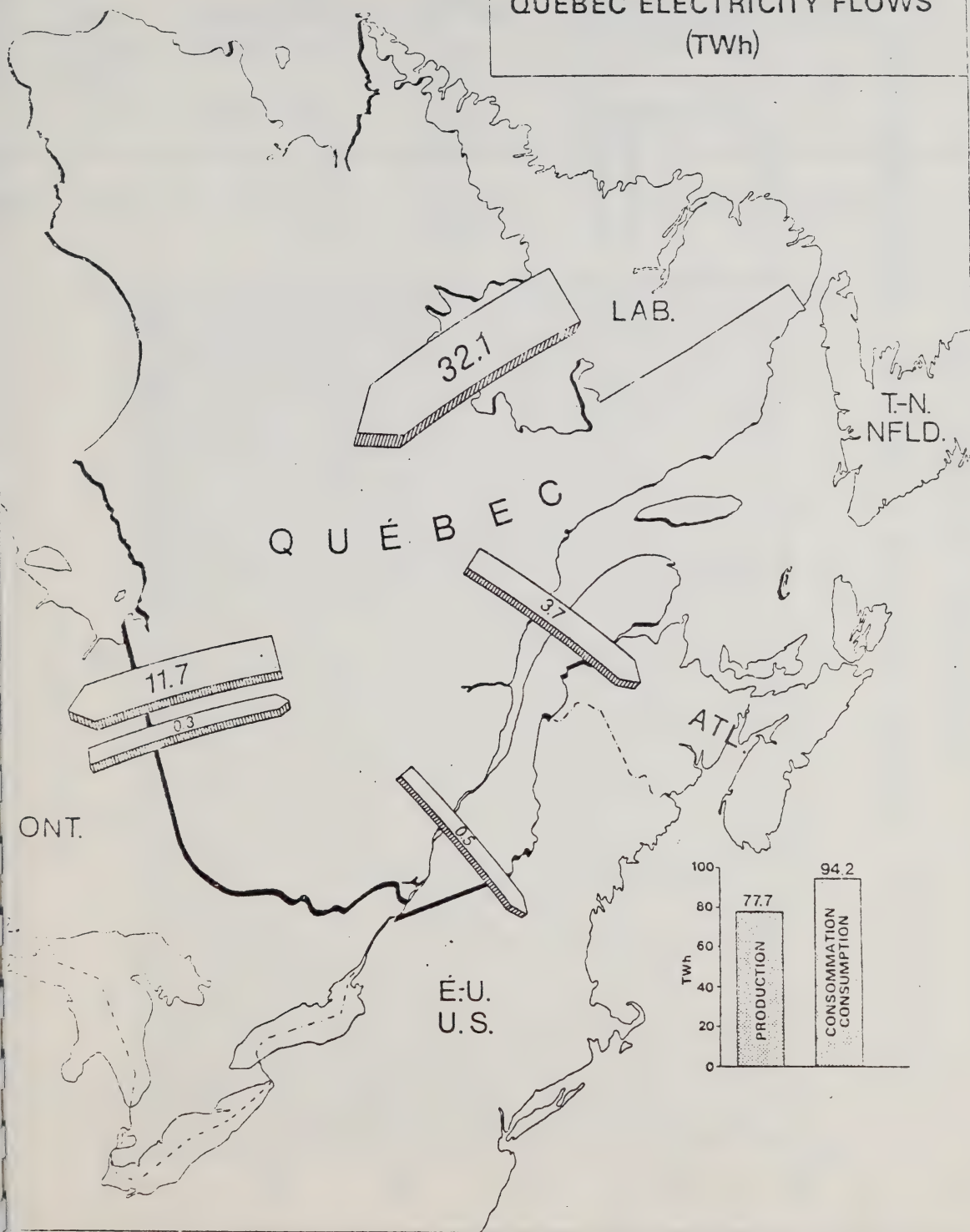
#### Quebec in the Canadian Context

Quebec has always played a major role in Canada's energy scenario. One of its most important contributions has been to bring stability in the electrical grid linking several Canadian provinces (and the U.S.), made possible by a strong generation system. The petroleum industry is also well served by the geography of the province which permits access to the East Coast and the Great Lakes and reduces crude oil and petroleum product transportation costs. Montreal's oil refining centre is the largest in Canada, and has provided important flexibility in supplying Ontario and the Maritimes, as required by product demand fluctuations.

A most important aspect of the national energy picture affecting Quebec has been the availability of oil and natural gas from western Canada and the frontier areas. Conventional oil reserves are decreasing and production rates may soon be insufficient to supply Quebec. Exploitation of the oil sands however, coupled with the large reserves of natural gas, should provide eastern Canada with a reliable although partial source of hydrocarbons for several decades. This situation is of importance in shielding all Canadians from some of the very damageable effects of foreign oil supply disruptions, caused either by political events or naturally decreasing availability.

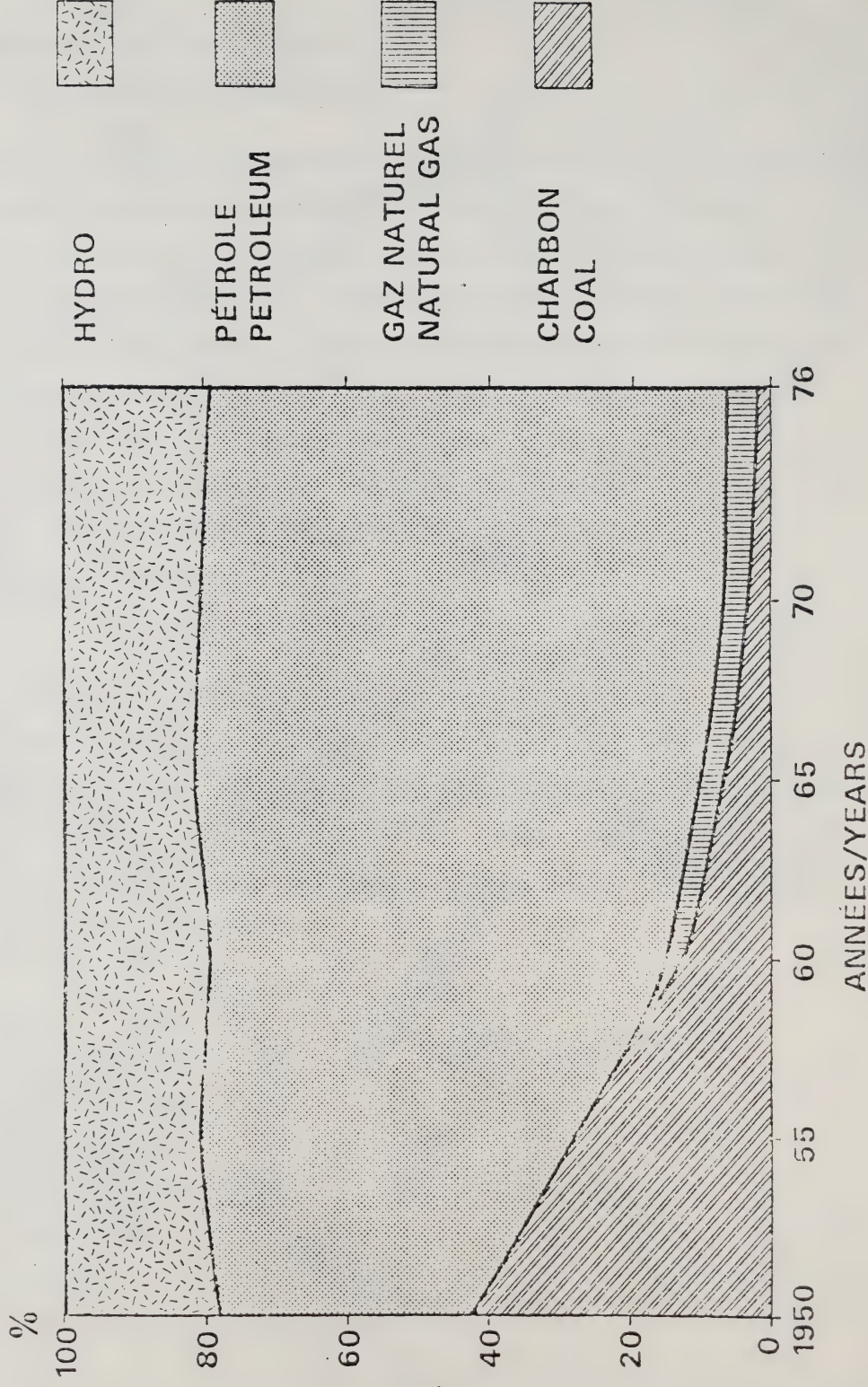
To summarize, Quebec is blessed with some very attractive features in the energy field but has inherited some major weaknesses. The other Canadian provinces have also been treated in a similar fashion by nature, but in such a way that all provinces complement each other to form a country with an above average energy potential. Canada as a whole, has enjoyed this situation and with luck, good will and dedication should be able to continue in this direction.

1976  
FLUX D'ÉLECTRICITÉ QUÉBÉCOIS  
QUEBEC ELECTRICITY FLOWS  
(TWh)





RÉPARTITION DE LA CONSOMMATION DE L'ÉNERGIE  
PRIMAIRE AU QUÉBEC  
SHARES OF QUEBEC PRIMARY ENERGY CONSUMPTION





President  
Privy Council

Président  
Conseil privé

303.7

Government  
Publication

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Leader of the Government  
in the House

Leader du gouvernement  
aux Communes

Release

Communiqué

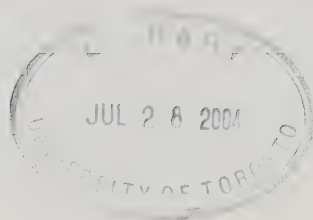
DATE: February 3, 1978

RELEASE: 12:30 p.m.

OUTLINE OF THE BILL TO CREATE  
A  
NORTHERN PIPELINE ACT  
INTRODUCED TODAY  
FOR FIRST READING IN THE HOUSE OF COMMONS

BY: The Honourable Allan J. MacEachen  
Deputy Prime Minister

Ottawa, Ontario.



Legislation authorizing construction of a northern gas pipeline in accordance with the Canadian - U.S. Agreement and establishing a Northern Pipeline Agency to develop and oversee plans for maximizing economic benefits of the project to Canada and minimizing adverse social and environmental impacts, today was introduced in the House of Commons for first reading by Deputy Prime Minister Allan J. MacEachen.

Mr. MacEachen, who is also President of the Privy Council, is the Minister responsible for the Bill as Chairman of the special Cabinet committee on the pipeline. Mr. MacEachen said that the massive joint project to be set in motion with the enactment of the legislation "would provide substantial stimulus to Canadian production and employment and assist in the achievement of Canada's national goal of energy self-reliance by providing access on an economic basis to major new gas reserves in the Mackenzie Delta". The Minister noted that parallel proposals put forward by President Carter to implement the bilateral agreement between the two countries were approved overwhelmingly by Congress late last year.

Mr. MacEachen pointed out that the proposed Northern Pipeline Agency, working in close conjunction with the National Energy Board, will provide a "single regulatory window" for undertaking all federal responsibilities related to the pipeline system in Canada.

Under the Bill, a member of the NEB will be appointed to the Agency as the Designated Officer, with power delegated to him by the Board to carry out a number of its functions in respect to the project, subject to the concurrence of the responsible Minister and the overall power of direction by the Governor-in-Council.

The deputy head of the Agency will be the Commissioner, who will be based in Ottawa and have prime responsibility for advising the Minister on matters of policy. An Administrator based in Calgary will be responsible for directing day-to-day operations of the Agency under authority delegated to him by the Minister and will report to him through the Commissioner. The Designated Officer of the NEB might be named Administrator or a deputy administrator.

The legislation authorizes the Governor-in-Council to transfer to the Agency, for purposes of the pipeline, legislative powers now exercised by several other departments and agencies which are required to ensure that relevant federal responsibilities come under the control of a



single regulatory authority. The Bill also proposes amendments to a number of existing statutes to facilitate achievement of this objective, together with that of the expeditious construction of the pipeline throughout Canada.

The legislation constitutes the certificates of public convenience and necessity authorizing the project.

The Foothills group of companies will be required to comply with extensive terms and conditions laid down under the legislation. The design, specifications and exact routing of the pipeline system will all be subject to the approval of federal authorities, as well as other such matters as the location and nature of temporary construction camps and the requirements for training and employment of northerners. The group will be required to satisfy the responsible Minister in charge of the Agency and the National Energy Board that adequate financing had been obtained to build the system and adequate protection provided against the risk of non-completion.

Foothills will be required to fulfil all undertakings made during hearings of the National Energy Board which were aimed at maximizing the economic benefits of the project and minimizing adverse social, environmental impacts.

In addition, Foothills will be directed to comply with further detailed terms and conditions that would be laid down within the framework of the legislation by the Agency's Designated Officer. These guidelines, directions and orders will be contingent in some cases on further studies the company is required to complete, such as the environmental impact statement it is already undertaking as part of the second-stage environmental review process. The detailed terms and conditions will be issued initially in draft form for public review and comment prior to their adoption in final form by the Agency's Designated Officer.

The terms and conditions also spell out the comprehensive information on manpower and procurement plans Foothills will be required to submit for approval of the Agency so as to ensure that Canadian personnel and suppliers have a full opportunity to compete in providing goods and services for construction of the project in keeping with Foothills' stated objective of achieving some 90 per cent Canadian content.



In addition, an obligation is imposed on Foothills under the terms and conditions to create any additional capacity that might be required in the trunk line to transport Canadian gas from the Mackenzie Delta as and when the connecting Dempster lateral is built to provide access to these new reserves in order to supply Canada's growing energy needs in the years ahead.

Mr. MacEachen noted that it was the intention of the federal government to reinforce this requirement through direct agreements under which the Foothills group will commit itself to carry out the necessary design, economic, environmental and socio-economic studies on the feasibility of the Dempster link, to apply to the NEB for a certificate by July 1, 1979, and to undertake any necessary expansion of the main line to transport the Canadian gas from the Delta to southern markets.

The legislation empowers the Minister to undertake consultations with the U.S. government and the governments of the provinces and the territories in Canada as required to co-ordinate all aspects of the project as they affect different jurisdictions.

The Bill provides for the establishment of a Federal-Provincial Consultative Council composed of officials representing the British Columbia, Alberta and Saskatchewan governments and, on the federal side, one representative of the Agency and one from the Yukon government. The Council, which would meet at least once every three months and more often if required, would be expected to supplement and complement day-to-day liaison and co-ordination between those with primary responsibility for overseeing the pipeline project in the various governments.<sup>1</sup>

The Bill also authorizes the establishment of one or more advisory councils of up to 10 persons drawn from outside of the government service to provide a two-way system of communication and consultation between interested public groups and the Northern Pipeline Agency. The Commissioner, the senior official heading the Agency under the direction of the responsible Minister, would be required to keep such councils fully informed about all activities of the Agency which bear on their terms of reference and the Bill empowers the councils to submit advice and recommendations to the Agency with regard to those activities.

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<sup>1</sup>C.U.I.O. FOOTNOTE: See appendix for extract from the Bill pertaining to the Council.

"The Yukon has already expressed an interest in the establishment of such a council, which might be used to provide an organized channel for widespread public input on the nature of the terms and conditions covering the project which will best serve Yukon interests," Mr. MacEachen commented.

Under the legislation, the statute governing the National Energy Board will be amended to permit it to recover from any company all costs incurred by the regulatory authority from the time of certification until one year after leave to open the pipeline was granted in overseeing and surveying the planning and construction of any pipeline. Under this amendment, Foothills is required to cover the costs incurred by the Northern Pipeline Agency and the Board in planning and overseeing the project from the time the legislation comes into force until one year after the opening of the system.

The Bill provides that failure of Foothills to fulfil any term or condition included in the certificate of public convenience and necessity deemed to be issued with the proclamation of the Act makes it liable to assessment of a penalty by the Minister of up to \$10,000 for each day of non-compliance. The company may subsequently file an objection to the assessment, requiring the Minister to reconsider his decision, or, alternatively, may appeal the decision to the Trial Division of the Federal Court. The Court in turn may allow or dismiss the appeal or reduce the penalty assessed by the Minister.

Any person who fails to comply with the terms and conditions of the certificate or an order issued by the NEB, or one of its members, is also guilty of an offence under the law and liable on summary conviction to a fine of up to \$10,000 for each day the offence has been committed.

Any person directly affected by a decision or order of the National Energy Board or the Designated Officer appointed to the Agency in relation to the pipeline that has been approved by the Governor-in-Council would have recourse to the Federal Court of Appeal. The Court would be authorized to consider an appeal on the grounds that the Board erred in law or in jurisdiction. The legislation requires the Federal Court to hear and determine any such appeal without delay and provides that the disputed decision or order may not be suspended in the interval. In its decision, which would be final, the Court could confirm the order or refer it back to the Board or Designated Officer for reconsideration.

In considering tolls and tariffs, the National Energy Board is required to take account of provisions in the Canada-USA Agreement relating to this question. The legislation also authorizes the Governor-in-Council to make regulations with respect to tolls and tariffs to give effect to that agreement and to prescribe the method to be adopted by the Board in establishing a rate of return on equity related to project costs. A further clause proposes an amendment to the National Energy Board Act to revise the definition of tolls, the effect of which will be to permit the NEB to authorize the imposition of such a charge at the time a pipeline is capable of transmitting oil or gas.

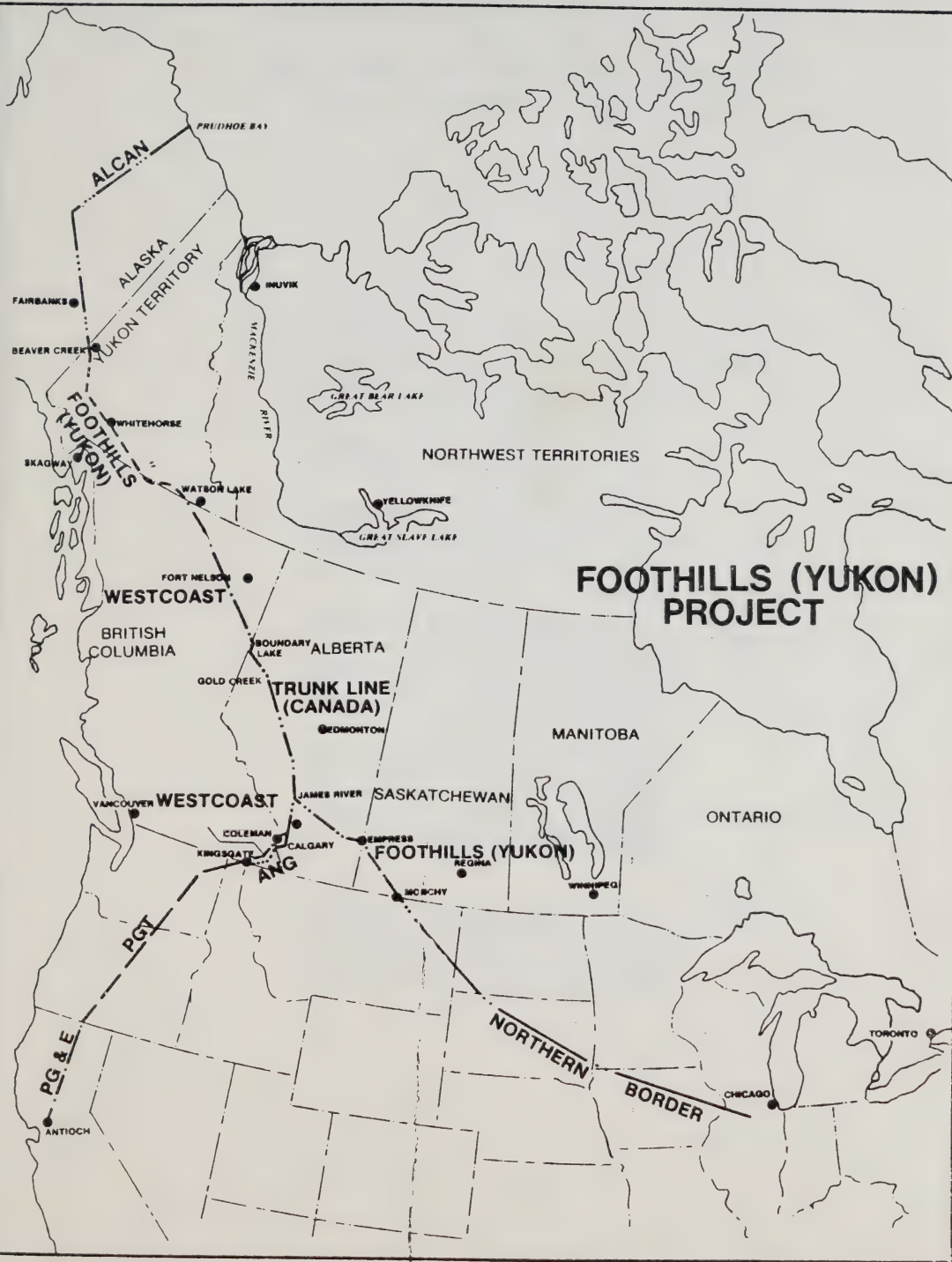
The Bill provides for the termination within one year following the granting of leave to open the pipeline of those sections of the legislation establishing the Northern Pipeline Agency and delegating certain authority to it and the Designated Officer. These sections may, however, be extended in force by a joint resolution of both Houses of Parliament if a certificate of public convenience and necessity is issued for construction of the Dempster lateral to the Mackenzie Delta prior to the granting of leave to open the main system.

This procedure had been adopted, Mr. MacEachen explained, because it was considered prudent to provide for the wind-up of the Agency within a year following the commencement of mainline operations in the event that no certificate had been granted for the Dempster link which would justify the continued operation of the regulatory authority. At the same time, this approach also left open the option to Parliament to authorize the Agency to assume responsibility for the planning and monitoring of the Dempster lateral if the necessary certificate had been issued within the prescribed time.

Pending establishment by Parliament of the Northern Pipeline Agency under the legislation, the Minister said that offices will be set up within the next few months in Calgary and Whitehorse under the present Northern Pipeline Commissioner. In conjunction with officials in various departments and agencies in Ottawa concerned with the pipeline, the staffs based in these two centres will assist in the initial development of plans for regulating and monitoring construction of the project until such time as these responsibilities are assumed by the new Agency.

Mr. MacEachen pointed out that in addition to the Pipeline Agency and the National Energy Board, other federal departments and agencies, the governments of the three western provinces, and the Yukon territorial government had further responsibilities for maximizing the economic benefits and minimizing the detrimental social and environmental effects of the project. Policies and programs to meet those objectives as they applied to the various jurisdictions were in the course of being drawn together, the Minister said. He stressed the need for close co-operation between the different governments to ensure the co-ordination of their efforts.







SECTION 17 OF THE NORTHERN PIPELINE ACT  
(BILL C-25)

INTRODUCED IN THE HOUSE OF COMMONS FOR  
FIRST READING, FEBRUARY 3, 1978.

*Federal-Provincial Consultative Council*

Council to be  
established

17. (1) For the purpose of carrying out the objects of this Act, the Governor in Council may establish a Federal-Provincial Consultative Council consisting of

(a) the Commissioner and a representative of the Yukon Territory named by the Governor in Council; and

(b) one representative of each of the provinces of British Columbia, Alberta and Saskatchewan nominated by the Lieutenant-Governor in Council of each of those provinces.

Meeting and  
objects

(2) The Council established by subsection (1) shall meet at least once every three months at such places in Canada as may be determined by the Council to consult on and to facilitate the coordination of the actions of the Agency, the governments of the provinces referred to in paragraph (1)(b), the government of the Yukon Territory and other governmental bodies in relation to the pipeline, and in particular with a view to ensuring a consistent approach in so far as is possible relating to the pipeline.

Committees of  
Council

(3) The Council established by subsection (1) may establish committees of the Council to advise it on such matters relating to the objects set out in subsection (2) as the Council refers to those committees.

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FEDERAL-PROVINCIAL CONFERENCE  
OF  
FIRST MINISTERS

Statement on National Energy Opportunities  
Tabled by  
Premier Allan Blakeney  
on Behalf of the  
Energy Ministers of Canada and the Provinces

Ottawa  
February 13-15, 1978



THIS FIRST MINISTERS' CONFERENCE IS BEING HELD IN ORDER TO EXAMINE THE ECONOMIC SITUATION WITHIN CANADA AND TO MAP OUT A COURSE OF ACTION WHICH WILL LEAD TO AN IMPROVED RATE OF GROWTH IN THE MEDIUM TERM.

ONE OF THE IMPORTANT FACTORS AFFECTING ANY ECONOMY IS ENERGY - ITS AVAILABILITY AND ITS PRICE. THE RATE AT WHICH CANADA'S CRUDE OIL AND NATURAL GAS DOMESTIC PRICES SHOULD MOVE TOWARD INTERNATIONAL LEVELS HAS BEEN THE SUBJECT OF DISCUSSION AT PRIOR CONFERENCES OF FIRST MINISTERS. MORE RECENTLY, AT A FEDERAL-PROVINCIAL MEETING OF ENERGY MINISTERS, IN THE SPRING OF 1977, THE MAJORITY OF PROVINCES SUPPORTED THE NEED TO CONTINUE THE UPWARD MOVEMENT IN PRICE PROVIDED THAT THIS DOES NOT EXCEED THE AVERAGE PRICE PREVAILING IN THE UNITED STATES. A FORMULA FOR PRICE ADJUSTMENTS TO JANUARY 1, 1979 WAS ACCEPTED AT THAT TIME BY MOST PROVINCES. UNDERSTANDABLY, SOME CONSUMER PROVINCES FIND THE CONTINUED PRICE ADJUSTMENT DIFFICULT TO ACCOMMODATE.

WHILE ESTABLISHING THE APPROPRIATE PRICE FOR ENERGY COMMODITIES IS OF FUNDAMENTAL IMPORTANCE, IT IS NOT A TOPIC REQUIRING RE-EXAMINATION AT THIS CONFERENCE. A MORE APPROPRIATE SUBJECT IS THAT OF DETERMINING WHAT ACTION IS NEEDED TO ENSURE THAT CANADA'S ENERGY SUPPLIES AND DEMANDS ARE APPROPRIATELY BALANCED IN ORDER TO MEET THE TARGET OF ENERGY SELF-RELIANCE. SUBSEQUENTLY, EXAMINATION CAN BE GIVEN TO THOSE POSSIBLE MEASURES TO DETERMINE THE EXTENT TO WHICH THEY CAN ALSO CONTRIBUTE TO MEETING THE CHALLENGE CANADA FACES REGARDING THE EXPANSION OF NATIONAL ECONOMIC ACTIVITY.

AT THE MOST RECENT MEETING OF ENERGY MINISTERS ON DECEMBER 1, 1977 A NUMBER OF ENERGY ISSUES WERE DISCUSSED ALTHOUGH THE AGENDA WAS NOT DEVELOPED SPECIFICALLY AS A PREPARATION ON A SECTORAL BASIS FOR THIS CONFERENCE. MINISTERS AGREED, HOWEVER, ON THE NEED TO ENCOURAGE GREATER CONSERVATION EFFORTS WHILE RECOGNIZING THAT MANY OF THE ACTIONS REQUIRED FALL WITHIN PROVINCIAL RESPONSIBILITY. THE CANADIAN HOME INSULATION PROGRAM NOW COVERS ALL PROVINCES AND MEETINGS ARE BEING HELD TO RESOLVE CONCERNS REGARDING ITS

ADMINISTRATION. THE NATIONAL INVENTORY OF ENERGY RESEARCH AND DEVELOPMENT ACTIVITIES WILL BE COMPLETED. BETTER CO-ORDINATED EFFORTS IN R AND D AS WELL AS DEMONSTRATION PROJECTS IN THE FIELD OF NON-CONVENTIONAL ENERGY WERE RECOGNIZED AS A PARTICULARLY PROMISING AREA FOR FEDERAL-PROVINCIAL CO-OPERATION. OFFICIALS WERE ASKED TO COMPLETE THE DEVELOPMENT OF A NATIONAL COAL POLICY DURING 1978, AND TO EXPRESS ON A REGIONAL BASIS FOR 1985 THE FEDERAL CRUDE OIL IMPORT TARGET FOR 1985 OF 800,000 BARRELS PER DAY OR ONE THIRD OF TOTAL OIL CONSUMPTION, WHICHEVER IS THE LESSER.

BOTH LEVELS OF GOVERNMENT ARE AGREED THAT IN THE LONGER TERM, PERHAPS BY THE MID-1980'S, THE SUPPLIES OF OIL WHICH CANADA REQUIRES FROM OVERSEAS MAY BECOME CONSTRAINED. GOVERNMENTS MUST ENSURE TO THE GREATEST EXTENT, THEREFORE, THAT DURING THE NEXT TEN TO FIFTEEN YEARS THEY IMPLEMENT POLICY MEASURES NEEDED TO APPROPRIATELY BALANCE CANADA'S ENERGY DEMANDS AND SUPPLIES.

CANADA IS FORTUNATE IN HAVING A MAJOR RESOURCE BASE, PARTICULARLY IN ENERGY. THERE STILL EXISTS IN CERTAIN REGIONS A RELATIVELY LARGE POTENTIAL FOR DEVELOPMENT OF FURTHER HYDROELECTRIC SOURCES. THERE REMAINS A GOOD POTENTIAL, BOTH IN WESTERN CANADA AND IN THE FRONTIER REGIONS, FOR ADDING TO THE RESERVES OF CONVENTIONAL OIL AND GAS. CANADA HAS A TREMENDOUS BASE OF HEAVY OIL AND BITUMEN, EXTENSIVE COAL RESOURCES AND MORE THAN ADEQUATE SUPPLIES OF URANIUM.

GIVEN THESE RESOURCES AND APPROPRIATE POLICIES TO DEVELOP ENERGY SUPPLIES AND TO MINIMIZE ENERGY DEMANDS, CANADA SHOULD BE ABLE TO MEET A SIGNIFICANT PROPORTION OF ITS FUTURE REQUIREMENTS FROM DOMESTIC SOURCES. THIS MUST BE ACCOMPLISHED, HOWEVER, NOT BY MERELY EMPHASIZING INCREASED ENERGY PRODUCTION IN THE TRADITIONAL MANNER. FOR REASONS OF SECURITY OF SUPPLY, ECONOMICS AND ENVIRONMENTAL IMPACT, THE GROWTH IN DEMAND MUST BE CURBED THROUGH CONSERVATION MEASURES AIMED AT ELIMINATING WASTEFUL USE OF ENERGY AND ENSURING THAT THE ENERGY WHICH IS USED IS PUT TO WORK IN A FAR MORE EFFICIENT MANNER. CANADA CANNOT CONTINUE TO LEAD THE NATIONS OF THE WORLD AS THE HIGHEST CONSUMER OF ENERGY ON A PER CAPITA BASIS.



BEFORE INDICATING THOSE AREAS THAT COULD BE THE SUBJECT OF NEW INITIATIVES DURING THE COMING YEAR, IT SHOULD BE POINTED OUT THAT THE SOLUTIONS DEVELOPED TO MEET THE ENERGY CHALLENGE CAN ALSO CONTRIBUTE IN A SIGNIFICANT WAY TO INCREASED EMPLOYMENT, TO THE BALANCE OF PAYMENTS, TO NATIONAL UNITY AND TO STIMULATING GENERALLY CANADA'S ECONOMIC ACTIVITY. ENERGY IS NECESSARILY AN INTEGRAL PART OF THE NATIONAL ECONOMY AND CANADIAN'S WAY OF LIFE. GIVEN GOOD MANAGEMENT AND PLANNING, IT CAN MAKE ITS CONTRIBUTION ON A BROAD FRONT.

IT MAY BE USEFUL TO TRANSLATE NATIONAL ENERGY OBJECTIVES, GENERALLY PLACED UNDER THE HEADING OF SELF-RELIANCE, INTO REGIONAL OBJECTIVES. THESE WILL THEN ENABLE GOVERNMENT TO ENSURE THAT REGIONAL ENERGY GOALS ARE COMPLEMENTARY. IT HAS BEEN SUGGESTED AT THE FEDERAL LEVEL THAT CANADA SHOULD LIMIT ITS IMPORTS OF CRUDE OIL BY 1985 TO NO GREATER THAN ONE-THIRD OF TOTAL CRUDE OIL CONSUMPTION, OR 800,000 BARRELS A DAY, WHICHEVER IS LOWER. THIS TARGET, WHICH APPEARS TO BE REASONABLE AND CONSISTENT WITH THE GENERAL OBJECTIVE OF SELF-RELIANCE, HAS LITTLE MEANING UNLESS IT IS TRANSLATED INTO REGIONAL TERMS. ONCE TRANSLATED, EACH PROVINCE COULD SEE THE CONTRIBUTION THAT IT CAN MAKE AND DETERMINE THE EXTENT TO WHICH SUCH A TARGET IS CONSISTENT WITH ITS OWN REQUIREMENTS AND PARTICULAR SITUATION.

IT IS OBVIOUS THAT THE IMPORT LEVEL TARGET CANNOT BE ACHIEVED UNLESS SUBSTANTIAL NEW SUPPLIES OF SYNTHETIC OR NON-CONVENTIONAL OIL ARE DEVELOPED DURING THE NEXT FIVE TO FIFTEEN YEARS. WORK NOW UNDERWAY BETWEEN THE FEDERAL ENERGY MINISTER AND THE ALBERTA AND SASKATCHEWAN ENERGY MINISTERS SHOULD BE PUSHED TO A RESOLUTION IN THE NEAR FUTURE SO THAT DECISIONS CAN BE TAKEN, IN CONJUNCTION WITH INDUSTRY, ON SUCH PROJECTS AS HEAVY OIL UPGRADING, FURTHER TAR SANDS PLANTS, COLD LAKE PRODUCTION AND ENHANCED RECOVERY.

AT THE PRESENT TIME THERE IS A SATISFACTORY POSITION WITH RESPECT TO RESERVES OF NATURAL GAS IN WESTERN CANADA. WHEN THIS IS BACKED UP BY THE POTENTIAL PROVIDED BY THE ALCAN GAS PIPELINE TO CONNECT MACKENZIE DELTA - BEAUFORT SEA RESERVES TO SOUTHERN MARKETS, THERE IS EVERY REASON TO SUGGEST THAT IN THE

NEXT DECADE NATURAL GAS IS ONE OF CANADA'S LONG SUITS. EFFORTS SHOULD BE MADE THEREFORE, TO INCREASE AND EXPAND DOMESTIC MARKETS FOR THIS GAS, PARTICULARLY IN EASTERN CANADA. THIS WILL BE NO EASY TASK GIVEN THE SIGNIFICANT EXCESS REFINING CAPACITY AND THE PRODUCTION OF LARGE QUANTITIES OF HEAVY FUEL OIL WHICH COMPETE PARTICULARLY IN THE INDUSTRIAL MARKET, WITH NATURAL GAS. WORK ON THIS PROBLEM HAS COMMENCED, AND IT SHOULD BE PUSHED FORWARD AS QUICKLY AS POSSIBLE.

GROWTH IN THE DEMAND FOR ELECTRICITY IS LIKELY TO CONTINUE AT A RELATIVELY HIGH RATE, ALTHOUGH BELOW HISTORIC LEVELS. CONTINUED EFFORTS MUST BE MADE TO SEARCH FOR OPPORTUNITIES TO DEVELOP THE REQUIRED SUPPLIES WHETHER THEY BE COAL-FIRED THERMAL, HYDRO OR NUCLEAR IN SOURCE. IN EASTERN CANADA, THE LOWER CHURCHILL, TIDAL POWER, AND THE PROPOSED MARITIME ENERGY CORPORATION ARE ALL WAITING POLICY DECISIONS AND ACTION. THIS IS THE YEAR IN WHICH THOSE DECISIONS SHOULD BE MADE. IN CERTAIN PROVINCES, CANADIANS ARE WRESTLING WITH THE QUESTION OF NUCLEAR ELECTRICITY AND THE EXTENT TO WHICH IT SHOULD CONTRIBUTE TO FUTURE ENERGY REQUIREMENTS. DECISIONS IN THIS AREA WILL HAVE A SIGNIFICANT IMPACT ON THE EXTENT TO WHICH RELIANCE WILL HAVE TO BE PLACED ON ALTERNATE SOURCES OF ELECTRICITY.

COAL AND NON-CONVENTIONAL SOURCES OF ENERGY WILL PLAY AN INCREASINGLY IMPORTANT ROLE IN MEETING FUTURE ENERGY NEEDS. WHILE NON-CONVENTIONAL SOURCES MAY NOT CONTRIBUTE SIGNIFICANTLY DURING THE NEXT TEN YEARS, THIS DOES NOT MEAN THAT IMMEDIATE ACTION SHOULD BE DELAYED. INCREASING EFFORT IN THE FIELD OF RESEARCH AND DEVELOPMENT SHOULD BE DIRECTED TO THESE AREAS. AT THE SAME TIME CO-ORDINATION OF ACTIVITY BETWEEN FEDERAL AND PROVINCIAL LEVELS SHOULD BE IMPROVED AND EXPANDED TO AVOID WASTEFUL DUPLICATION AND ENSURE APPROPRIATE ACTION WITHIN REGIONS. THERE IS A NEED TO DEVELOP DURING THE COMING YEAR, A MUTUAL UNDERSTANDING OF THE ROLE THAT DOMESTIC COAL RESOURCES WILL PLAY IN THE FUTURE AND TO IDENTIFY POLICY MEASURES THAT SHOULD BE TAKEN TO ENSURE THAT THIS WILL COME ABOUT.

AS WELL AS GENERALLY ENSURING THAT ENERGY DEMANDS AND SUPPLIES ARE IN APPROPRIATE BALANCE, PROPER ENERGY MANAGEMENT REQUIRES THE SUBSTITUTION OF SCARCER, HIGH COST SOURCES BY MORE PLENTIFUL AND LOWER COST SOURCES. THIS MEANS SUBSTITUTING IMPORTED AND DOMESTIC OIL BY NATURAL GAS, COAL, AND ELECTRICITY. IT ALSO MEANS THE SUBSTITUTION OF SCARCER LIGHT GRAVITY OIL, FROM WHATEVER SOURCES, BY UP-GRADED PRODUCTS FROM OUR HUGE TAR SANDS AND HEAVY OIL REGIONS.

AS ALREADY SUGGESTED, ALL THE ACTIVITY THAT CAN TAKE PLACE IN BRINGING ON NEW ENERGY SUPPLIES WILL DO ONLY PART OF THE JOB. THE OTHER PART IS THAT OF REDUCING THE GROWTH IN DEMAND THROUGH CONSERVATION AND THE MORE EFFICIENT EMPLOYMENT OF THE ENERGY WHICH IS USED. CANADA IS UNLIKELY TO COME CLOSE TO HOLDING ITS GROWTH IN ENERGY DEMAND DOWN TO ABOUT 2 PER CENT UNLESS BOTH THE FEDERAL AND PROVINCIAL GOVERNMENTS ACCELERATE THEIR ACTIVITIES IN THIS FIELD. MANY OF THE RESPONSIBILITIES LIE IN AREAS OF PROVINCIAL JURISDICTION. THERE IS A NEED TO ADOPT IMPROVED BUILDING CODES, REDUCE HIGHWAY SPEED LIMITS, EXPAND AND IMPROVE ON THE CANADIAN HOME INSULATION PLAN ON A PROVINCIAL BASIS AND ENCOURAGE GREATER EFFICIENCY IN ENERGY USE. PERHAPS MOST IMPORTANT OF ALL, GOVERNMENTS MUST AGREE AMONG THEMSELVES THAT ACTIVE CONSERVATION IS, IN FACT, A FUNDAMENTAL ASPECT OF ENERGY POLICY.

FINALLY IT IS WORTH INDICATING HOW SOME OF THE POLICY MEASURES OUTLINED ABOVE CAN CONTRIBUTE IN A CONCRETE WAY TO THE MEDIUM-TERM ECONOMIC SITUATION IN CANADA. FOR EXAMPLE A NEW TAR SANDS PLANT WOULD PROVIDE A TOTAL OF 20,000 MAN-YEARS OF DIRECT EMPLOYMENT DURING CONSTRUCTION AND CONTINUAL EMPLOYMENT THEREAFTER OF OVER 3,000 FOR AN EXPENDITURE IN THE ORDER OF 3 BILLION DOLLARS. THE DEVELOPMENT OF A COLD LAKE EXTRACTION PLANT FOR BITUMEN WOULD PROVIDE 15,000 MAN-YEARS DURING CONSTRUCTION AND OVER 1500 CONTINUOUS JOBS THEREAFTER FOR AN EXPENDITURE OF AROUND 3 BILLION DOLLARS. A HEAVY OIL UPGRADING PLANT WOULD PROVIDE 5,000 MAN-YEARS DURING CONSTRUCTION, 300 JOBS THEREAFTER FOR AN EXPENDITURE OF 700 MILLION DOLLARS. ADDED TO THIS WOULD BE LARGE EXPENDITURES FOR EXPLORATION AND DEVELOPMENT OF NEW PRODUCTION AND THE



ASSOCIATED EMPLOYMENT. THE LOWER CHURCHILL HYDRO DEVELOPMENT WOULD PROVIDE 11,000 MAN YEARS DURING CONSTRUCTION FOR APPROXIMATELY 180 CONTINUING JOBS FOR AN EXPENDITURE OF 2.5 BILLION DOLLARS.

THE LIST COULD BE CONTINUED WITH SUCH PROJECTS AS THE ALCAN NATURAL GAS PIPELINE, THE LONG TERM LNG PROJECT IN NEW BRUNSWICK, TIDAL POWER IN THE MARITIMES, THE NEW PROJECTS THAT COULD BE UNDERTAKEN IF THE PROPOSAL OF THE MARITIME ENERGY CORPORATION IS SUCCESSFULLY CONCLUDED, THE REQUIREMENTS FOR IMPROVEMENTS IN EASTERN CANADIAN REFINERIES TO UPGRADE HEAVY FUEL OIL, THE POTENTIAL NEW URANIUM MINING, ACTIVITIES IN BIOMASS CONVERSION, THE PROVISION OF GOODS AND SERVICES FOR HOME INSULATION, IMPROVED ENERGY EFFICIENCY IN INDUSTRY, AND SOLAR SYSTEMS.

ALL THESE ARE ECONOMICALLY VIABLE NOW OR CLOSE TO BECOMING SO. THERE IS A WIDE RANGE FROM WHICH TO SELECT, REPRESENTING A TOTAL INVESTMENT OF SOME 26 BILLION DOLLARS OVER THE NEXT TEN-YEAR PERIOD THAT WOULD PROVIDE EMPLOYMENT OF 150,000 MAN YEARS AND UP TO 450,000 MAN YEARS OF INDIRECT EMPLOYMENT.

IF GOVERNMENTS CHOOSE WISELY AND ACT SOON, THEY CAN HELP TO REDUCE CANADA'S ECONOMIC PROBLEMS WHILE MEETING HER ENERGY GOALS. THERE ARE VARIOUS WAYS OF PRODUCING AND CONSERVING ENERGY, SOME OF WHICH CAN MAKE A GREATER EMPLOYMENT CONTRIBUTION THAN OTHERS. THE POSSIBLE ENERGY SUPPLY AND CONSERVATION PROJECTS SHOULD BE STARTED EARLIER SO AS TO IMPROVE THE LIKELIHOOD OF MEETING THE GOAL OF ENERGY SELF-RELIANCE. IF THIS IS DONE, WHILE FAVOURING THOSE PROJECTS WITH THE GREATEST EMPLOYMENT IMPACT, GOVERNMENTS CAN ENSURE THAT THEIR ENERGY STRATEGIES ARE PART OF THE ECONOMIC SOLUTION RATHER THAN PART OF THE PROBLEM.





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